Weekend FT

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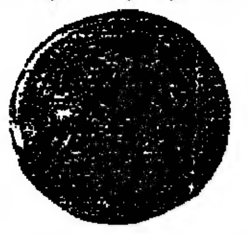

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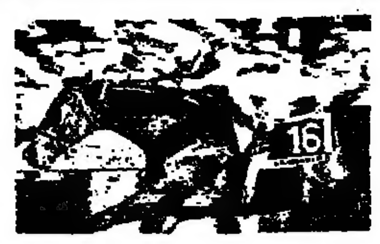

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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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WORLD NEWS

Top Egyptian politician assassinated

The speaker of Egypt's parliament was shot dead in a Cairo street in a hail of gunfire which also killed three of his security guards. Rifaat al-Mahgoub, who was travelling in the back of his black Mercedes, died almost instantly.

The assassination, which adds to already acute tensions in the Middle East, immediately raised questions about possible foreign involvement. Page 24; Hurd heads for stormy visit, Page 2

Iraqis face US charges

Two senior Iraqi government officials face criminal charges following a US grand jury probe into $3bn (£1.52bn) of secret loans made to Baghdad by a US branch of Italy's biggest bank. Page 24

Tunnel prosecution

The five companies involved in Translink Joint Venture, the concern digging the British side of the Channel tunnel, are to be prosecuted after the death of a worker earlier this year. Page 7

Townships curfew lifted

South Africa lifted night curfews imposed on black townships round Johannesburg last month to quell faction fighting.

German claims flood in

Thousands of Germans have submitted claims for the return of land taken over by East Germany's communists. From today, unclaimed property can be sold off by local authorities to private investors.

Appeal for clean-up aid

Massive western investment aid is needed to tackle east Europe's pollution crisis, Polish environment minister Maciej Nowicki will tell a UK conference next week. Walesa urges debt moratorium, Page 8

KGB agent can sue

Sacked KGB general Oleg Kalugin was given leave by a Soviet court to sue prime minister Nikolai Ryzhkov for dismissing him. Kalugin was stripped of rank and pension after saying the KGB still used Stalinist methods.

Taiwan protests

Taiwanese premier Hau Pei-tsun said his country would take any necessary measures to end Japan's occupation of the Senkaku Islands off its north-east coast. The islands claimed by Taiwan were assigned to Japan in the 1960s.

Enthronement day

Dr George Carey will be enthroned as 103rd Archbishop of Canterbury in Canterbury Cathedral on April 19.

Gazza who?

A High Court judge refused Paul "Gazza" Gascoigne an injunction halting publication of a biography on the grounds that the England soccer star was not famous enough. Told Gascoigne was a well-known footballer, Mr Justice Harman asked: "Rugby or association football?"

BUSINESS SUMMARY

Equities gain favour with UK investors

UK institutional investors have indicated an increasing desire to switch out of cash and into shares and other investments, according to a survey carried out just after Britain's entry into the exchange rate mechanism of the European monetary system.

The most favoured home for reinvested cash appeared to be UK equities, with 49 per cent of investors saying they planned to add to their British portfolios. Page 24

ASAHI BREWERIES of Japan is renegotiating an agreement to acquire a 19.9 per cent stake in Elders IXL of Australia from Harlin Holdings, ending speculation that the deal was off. The move prompted a 13 cent recovery to A$1.23 (52p) in Elders shares on the Australian Stock Exchange. Page 12

PENTOS bookshops began selling new novels at a 25 per cent discount, a breach of the net book agreement, which sets minimum retail prices for most books in Britain. Injunctions are expected to be sought against chairman Terry Maher, a long-time opponent of the agreement. Page 24

BRITISH Airways plans to invest £20m for a minority stake in a new airline in the Soviet Union called Air Russia. Aeroflot, the Soviet state carrier, is to be the majority partner in the venture. Page 6

KLM Royal Dutch became the latest European airline to introduce a cost-cutting programme, aimed at reducing costs by Fl 400m (£117.8m), or 15 per cent, over the next three years. The move follows a profits warning. Page 12

ITN told its London staff that the station is considering urgent cost-cutting measures to avoid a financial crisis. Its difficulties stem in part from the extra burden of covering the Gulf crisis. Page 4

HILTON Hotels reported third-quarter after-tax profits down by 22 per cent at $21.9m (£11.1m). The result provided further evidence of the difficult conditions prevailing in the US hotel industry. Page 12

MACHINE TOOLS: Demand in the UK will fall by almost 10 per cent next year as the economic slowdown forces companies to cut investment expenditure, a trade association said. Page 4

FORD of Britain's managing director, Roger Humm, announced his resignation from the company. Page 6

L'OREAL reported profits of FFr1.7bn (£160m) in the first six months of 1990, up 13.2 per cent. The increase reflects a decision last year by the world's largest cosmetics company to focus more on its main business. Page 12

STORA, Swedish pulp and paper group, posted 29 per cent fall in profits to SKr1.73bn (£155.85m) for the first eight months of 1990. High production costs and increased competition were responsible for the downturn. Page 12.

Mrs Thatcher is applauded by cabinet colleagues after yesterday's speech

Glyn Genin

Thatcher prepares ground for radical Tory manifesto

By Philip Stephens, Political Editor

■ Conference reports ..Page 7
■ Too long singing the same song ....Page 9

RADICAL proposals to shake up education and training may be included by the government in a general election manifesto based firmly on the policies which have won the Conservatives three successive terms in office, Mrs Margaret Thatcher indicated yesterday.

In an uncompromising speech at the end of the Tory Party conference in Bournemouth, the prime minister demonstrated that she remains unconvinced by calls from ministerial colleagues for a softer, less radical tone in the run up to the election due by mid 1992.

Instead she said that cuts in the basic rate of tax, further moves to widen home and share ownership, more privatisation and fresh moves to take education out of the control of local authorities would remain at the heart of the government's programme for the 1990s.

She gave an oblique hint that a pilot scheme to provide training vouchers to school-leavers might provide the basis for a significant extension of the voucher principle into the education system.

Winding up an unexciting conference, Mrs Thatcher also emphasised that she was not prepared to see Britain's entry into the exchange rate mechanism of the European Monetary System as the precursor to acceptance of a single European currency. In a barbed remark at the expense of Mr Jacques Delors, president of the European Commission, she said: "That would be entering a federal Europe through the back-Delors."

Her comments on Europe, which were deliberately hardline, foreshadow intense manoeuvring within the government ahead of the intergovernmental conference on economic and monetary union in December. There is deep concern in Mrs Thatcher's cabinet that Britain runs the risk of being isolated at the conference.

The prime minister chose as her main theme "opportunity for all", saying that the Conservatives were committed to an "open, classless, Britain". She highlighted plans for cuts in the basic rate of tax from the present 25 per cent, increased sales of council properties through "rent-into-mortgage" schemes, and the proposed privatisation of British Rail and the remaining ports under state control.

The speech won the rapturous reception which Mrs Thatcher is now guaranteed at party conferences, but disappointed those of her ministers who were looking for a shift in emphasis to meet concern among voters about the standard of public services and the environment.

The expectation is that those ministers will use the manifesto preparations over the next six months to seek to persuade her to give more attention to quality of life issues. Those preparations are due to be completed by next spring and one member of the Cabinet commented yesterday that there was still "much to play for".

For her part, Mrs Thatcher offered no clue to the timing of the election, but most of her ministers believe that the most likely dates are October 1991 or the spring of 1992.

The prime minister made it clear that she was determined to respond forcefully to the decision of the Labour Party to put the quality of education at the centre of its election campaign. The present incentives for schools to opt out of local authority would be greatly extended.

She mentioned only briefly the possibility of greater use of vouchers, but her comments confirmed that the idea is being looked at in the government's preparations for the next manifesto.

A number of right-wing think tanks have promoted schemes under which all children would receive from the state a voucher to "spend" at the school of their choice, but the government has until now baulked at the political risks.

Inflation rises to eight-year high

By Peter Marsh, Economics Staff

RETAIL price inflation in the UK rose to an annual rate of 10.9 per cent last month. The figure underlines worries about the economy and cast a pall over the last day of the Conservative Party conference.

The figure – up from 10.6 per cent in August – unsettled City analysts, who had expected it to be slightly lower.

They said it showed that the level of demand in the economy, which government policies are attempting to reduce, is still relatively high.

The inflation rate, the highest on an annual basis since February 1982, may peak this month at above 11 per cent, according to City estimates. The November figure is almost certain to fall sharply, however, as mortgage interest rates are cut from November 1.

Ministers yesterday tried to play down the inflation increase. Mr John Major, the chancellor, said it was no surprise, while Mrs Margaret Thatcher, the prime minister, said government policies to bring down inflation were working.

The rise is likely to lead to extra government spending this year of at least £2bn due to higher index-linked social security payments.

Ms Margaret Beckett, for the Labour Party, said Britain's high inflation rate showed that entry into the European exchange rate mechanism had been dictated by the weakness rather than the strength of the economy.

London share prices ended the first week of Britain's full ERM membership on a muted note. The FT-SE 100 index closed at 2,100.4, virtually unchanged on the day and only slightly above the index before the announcement of entry.

The inflation increase brought the retail price index for September (January 1987=100) to 129.3, up from 128.1 in August.

Inflation rise blows public spending off course, Page 6

Polly Peck granted more time

By Richard Waters, Stephen Fidler and Richard Donkin

SOME £200m of Polly Peck International's money is still unaccounted for by accountants appointed to investigate the finances of the company.

The news emerged at a meeting of the fruit-to-electronics group's bankers in London yesterday.

The banks agreed to extend a one-week standstill period on debt repayments for a further month to allow the accountancy firm, Coopers & Lybrand Deloitte, time to complete its investigations.

Following the four-hour meeting in London, Mr Asil Nadir is expected to step aside as chairman of Polly Peck, while remaining as chief executive. Bankers said they had not insisted that he be replaced.

One said: "It's been left to the company. But most of the banks made it clear what they wanted." The banks do not want to demand a resignation, since this could result in them being classified as "shadow directors" of the company under British insolvency law.

More than 200 bankers assembled to hear a report from Coopers about the state of the group's finances. They were told that the accountancy firm had been unable to verify £200m shown in Polly Peck's accounts as belonging to subsidiaries in Turkey and Northern Cyprus, although it had been able to trace £96m belonging to Polly Peck's subsidiaries in the area.

Coopers has been hampered in part by the fact that it has been unable to gain access to a bank in northern Cyprus in which Mr Nadir has an interest and which is said in the accounts to hold £50m of the group's money.

Mr Dominic Henry, head of investor relations at Polly Peck, said: "It was pointed out at the meeting that our cash balances in northern Cyprus Continued on Page 24

SFO court challenge, Page 10
Lex, Page 24

BT and Mercury deals could cut transatlantic call charges

By Hugo Dixon in Washington

BRITISH TELECOM and Mercury Communications, its smaller rival, have concluded deals with American Telephone & Telegraph which could lead to substantial cuts in the cost of transatlantic phone calls.

The deals were completed last week, just after the Office of Telecommunications, the UK industry watchdog, announced plans to cap BT's international prices and introduce more competition into the international telecommunications market in an attempt to drive down call charges.

The agreements involve halving accounting rates between the US and the UK by January 1993. Accounting rates are a type of wholesale price which determines how much BT and Mercury pay AT&T, the largest US telecommunications company, for delivering international calls to their final destination in the US, and vice versa.

BT, Mercury and AT&T have blamed artificially high accounting rates for the current high level of international prices.

The Financial Times revealed earlier this year that customers across the world were being overcharged more than $10bn (£5.06bn) a year as a result of cartel practices among the phone companies, of which the accounting rate system is the most important.

Transatlantic call charges of about 90 cents a minute are estimated to be about three times costs.

Mr Tom Luciano, AT&T's deputy director for international transit settlements, revealed the deals on accounting rates at a conference organised by the Center for Strategic and International Studies, a Washington think tank, this week.

Mr Luciano held out the hope that lower accounting rates would lead to lower call charges but he would not be specific.

However, Mr Greg Staple, a Washington lawyer who specialises in telecommunications, said call charges could be expected to fall by about 30 per cent over two to three years. He also said the new arrangements would have a knock-on effect on other transatlantic routes because the UK-US accounting rate is a benchmark which other telephone companies have to bear in mind in setting their rates.

Unless other European telephone companies cut accounting rates, AT&T might route more of its transatlantic calls through the UK, Mr Staple said. The UK-US route is the world's busiest intercontinental route, carrying about 1bn minutes of traffic a year. It is also extremely profitable.

A confidential BT document shows that the company expected to earn profits of £121m from revenue of £192m on this route in 1987-88, since when profits are understood to have increased sharply.

MCI and US Sprint, the two other leading long distance telecommunications companies, are expected to conclude equivalent agreements with BT and Mercury.

Career Choice

On Wednesday October 17 the Financial Times publishes a survey for students and parents. In 52 pages, many in full colour, FT specialists assess career options, interpret the hype in company brochures, advise on interview techniques and outline job opportunities in Europe and the US.

■ The survey includes an A-Z guide to more than 50 careers.

MARKETS

STERLING
New York lunchtime:
$1.971
London:
$1.974 (1.965)
DM2.995 (3.01)
FFr10.0875 (10.08)
SFr2.5225 (2.535)
Y254.0 (255.25)
£ index 96.0 (96.1)

GOLD
New York: Comex Dec
$391.3
London:
$387.5 (389.75)

N SEA OIL (Argus)
Brent December
$37.825 (40.90)

Chief price changes yesterday: Page 24

DOLLAR
New York lunchtime:
DM1.5215
FFr5.096
SFr1.2825
Y128.75
London:
DM1.5215 (1.532)
FFr5.096 (5.13)
SFr1.2825 (1.29)
Y128.75 (129.9)
$ index 60.5 (61.0)
Tokyo close: Y129.30

US LUNCHTIME RATES
Fed Funds $7\frac{7}{8}$%
3-mo Treasury Bills:
yield: 7.35%
Long Bond:
$97\frac{3}{32}$
yield: 8.86%

STOCK INDICES
FT-SE 100:
2,100.4 (−1.8)
FT Ordinary:
1,622.0 (+3.1)
FT-A All-Share:
1,013.31 (−0.1%)
New York lunchtime:
DJ Ind. Av.
2,398.51 (+33.41)
S&P Comp
299.94 (+4.48)
Tokyo: Nikkei
22,390.16 (−195.47)

LONDON MONEY
3-month interbank:
closing $13\frac{21}{32}$% ($13\frac{5}{8}$)
Liffe long gilt future:
Dec $84\frac{7}{16}$ ($84\frac{13}{32}$)

CONTENTS

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US may be pushed into veto of resolution condemning the killing of Arabs

UN compromise on Israel sought

By Robert Graham

DIPLOMATS at the United Nations Security Council yesterday worked towards a compromise formula to avoid forcing the US into vetoing a resolution condemning Israel for the killing of 21 Arabs in Jerusalem on Monday.

Since Tuesday the council has been unable to agree on a resolution. The deadlock contrasted sharply with the speed in which agreement was reached in the council on resolutions approving sanctions against Iraq for its invasion of Kuwait on August 2.

The four-day impasse underlined the difficulties faced by the Bush administration in trying to balance its traditional backing of Israel with the need to accommodate its Arab allies aligned against Iraq. At the same time it exposed the problems in US endeavours to keep the Arab-Israeli conflict separate from a resolution of the

Gulf crisis.

A further sign that the two were becoming entangled came with the announcement yesterday that Mr Roland Dumas, the French foreign minister, would meet Palestinian leader Yassir Arafat tomorrow in Tunis.

While Arab states, as well as the Palestine Liberation Organisation, remained anxious yesterday to avoid provoking a US veto, they nevertheless warned that Washington risked being accused of applying double standards in its Middle East policy.

They pointed out the deadlock was playing into the hands of Iraqi President Saddam Hussein, despite the broad front of condemnation at the UN for his annexation of Kuwait.

Sir David Hannay, Britain's ambassador to the UN, who is in the chair, held a series of bilateral meetings with the other 14 members on Thursday and again yesterday in an attempt to bridge differences. These centre on the mandate of a proposed UN mission and report that the majority of the council members want Mr Javier Pérez de Cuéllar, the UN Secretary General, to organise on the overall situation of Palestinians in Israeli-occupied territories.

On US insistence, the seven non-aligned countries on the council, all of whom support the Palestine Liberation Organisation, have dropped their demand to send a mission drawn from the Security Council to investigate Israel's treatment of Palestinians. They are reportedly prepared to accept that the secretary general may send his own emissaries but they are continuing to insist that the report to Mr Pérez de Cuéllar should include recommendations for ensuring the safety and protection of the Palestinian inhabitants as well as of Islamic and Christian holy sites.

The US yesterday still refused to countenance such a broad mandate, arguing instead that the secretary general should present the council with his conclusions about the situation of Palestinians under Israeli occupation.

Hurd heads for stormy Mideast visit

By Robert Mauthner, Diplomatic Correspondent

THE visit of Mr Douglas Hurd, the British foreign secretary, to Egypt this weekend and to Israel next week takes place in unexpectedly inauspicious circumstances.

Monday's killing of stone-throwing Palestinian demonstrators by Israeli police in Jerusalem, and the subsequent wrangling over a United Nations Security Council resolution condemning Israel, have threatened to cast a shadow over his stay in Israel.

A day before his departure from London, Mr Hurd was obliged to cancel plans to visit the Gaza strip at the request of the Israeli authorities because of the tense situation in the strike-ridden occupied territory.

Tension in the Middle East, with its inevitable consequences for the situation in the Gulf, rose further yesterday with the assassination of the speaker of Egypt's parliament, Mr Rifaat Mahjoub, with the risk that Mr Hurd's programme in Cairo, which includes a meeting with President Hosni Mubarak, could be restricted.

However, the Egyptian stage of his trip is likely to prove much easier than the subsequent stay in Israel, where Mr Hurd can expect a cool reception after his outspoken criticism of Israel's policy on the Palestinian problem.

In spite of Egypt's strong condemnation of the Israeli police action on Temple Mount in Jerusalem, British officials do not expect Cairo to waver in its support of the anti-Iraq coalition built in the wake of Baghdad's annexation of Kuwait. If anything, Egypt's backing for that international front is likely to be even stronger following Mr Mahjoub's assassination, given the suspicion that the killers were supporters of Iraqi President Saddam Hussein.

By contrast, relations between Britain and Israel reached a new low even before the latest incidents in Jerusalem, as the result of some unusually plain speaking by the British foreign secretary.

In London last week, he bluntly described Israel's policy towards the Palestinians as "misguided" and said that "anyone with a sense of humanity must sympathise with the Palestinians."

Mr Hurd, who is due to have talks with Israeli prime minister Yitzhak Shamir, Labour opposition leader Shimon Peres and President Chaim Herzog, said before leaving London it was better to tell the Israelis frankly what one thought because "they don't like people who are mealy-mouthed". His discussions with the Israeli leaders, during which Mr Hurd is expected to explain Britain's views on the need for an early Middle East peace conference aimed at finding a solution to the Palestinian problem, are therefore likely to be frank and vigorous.

Nothing better illustrates the gulf between US and Saudi values than the presence in the kingdom of female American soldiers

The strange desert companions of Little Miss Dangerous . . .

A motley crew are manning the tanks of Operation Desert Shield, reports Victor Mallet in Dhahran

LITTLE Miss Dangerous is one of the few women in the conservative Kingdom of Saudi Arabia wearing a bikini in public, but then she is only a painting on the side of an armoured car with the US Marines. In time-honoured fashion, the American forces confronting Iraq have made themselves at home in the unpromising desert environment south of the Kuwaiti border.

A herd of camels, a group of reporters and a desiccated dead goat were the only witnesses to the intensive military exercises conducted by Little Miss Dangerous and her companions Forced Vengeance, Bad Company, and War Hog (whose functional interior is tastefully decorated with Clairol hair colour advertisements torn out of a magazine and featuring unveiled women to remind the men of home).

The M-60 tanks have names like The Honorman and Scum Dog, and the words "Kuwait or bust" have been painted on the back of an amphibious assault vehicle. Back at camp, the engineers have a sandbox for battles between captured scorpions.

"We find the black ones will fight the yellow ones but the black ones won't fight each other," said one of the sappers.

The marines, training every day for everything from chemical warfare to a full-scale tank battle, seem competent and confident. "In a peacetime environment you're real loose," said Gunnery Sgt Mike Chavez, a Vietnam veteran. "This kind of tightens the men up and makes them pay attention. Granted, you're going to have 10 per cent who say they want to go home, but for us this is home."

Col Larry Wright, commanding officer of the Striking 3rd Battalion of the 9th Marines regiment, had no doubts about his mission. "We're going to win this war for you," he said.

Away to the west, the Arab and Islamic forces temporarily allied to the gung-ho Americans in the confrontation with Iraq are living in a different world. The Saudis, served by Asian cooks, sip Arabic coffee in carpeted, bedouin-style tents, but their drivers get lost in the featureless sands as easily as the Americans.

Despite the presence of US advisers with the Arab forces, military chiefs are deeply concerned about the complexities of command and control for land, sea and air in the event of a conflict between the multinational forces and Iraq.

Political disputes are the last thing the allies want, but the killing of 19 Palestinians by Israeli police in Jerusalem on Monday has brutally underlined the incongruous nature of the US-led military alliance.

Lt Col Abdullah Shahrani, commander of a Saudi ground-to-ground rocket unit, is steeped in the myths of Arab nationalism and was adamant that an injury to a Palestinian is an injury to every Arab. "The number one enemy of the Arab world is Israel," he said.

Officials in Riyadh have been equally scathing about Washington's principal Middle East ally, and one government spokesman branded the killings "a naked challenge to Islamic public opinion".

Back in the desert, Gen Turki al-Nefale, commander of the King Abdul-Aziz armoured brigade, tactfully suggested that the Palestine Liberation Organisation should respond to the Israeli killings instead of siding with Iraq against Kuwait and other Arab countries.

The multinational forces, however, remain a curious collection of old friends and old enemies with cultural backgrounds as different as chalk and cheese. They are prepared to defend, prepared to attack and prepared to wait. "We need to think long," said Commodore P.K. Haddacks aboard HMS York, his British flagship in the Gulf, "even if it doesn't turn out to be long."

Syrian army closing in on defiant Aoun

By Lara Marlowe in West Beirut

GENERAL Michel Aoun, the Lebanese Christian leader who has for 11 months defied all attempts to remove him from the former presidential palace at Baabda, yesterday predicted a final battle to the death against Syrian troops closing in around his 80 square mile enclave in East Beirut.

According to army officers loyal to Gen Aoun, an assailant fired two shots with a pistol at the general as he was addressing supporters late yesterday, missing the general but wounding one of his bodyguards. There was no independent confirmation of the report.

When the Syrians began massing tanks, men and armour on the edge of Beirut's southern suburbs – scarcely two miles from Gen Aoun's headquarters at Baabda – late on Thursday, Gen Aoun again appealed to the 150,000 residents of the area he controls to join in a "human shield" to protect him. Several thousand of the general's supporters responded by staging a sit-in demonstration on the roads leading to Baabda.

President Hrawi's government denied reports that it had appealed to its Syrian allies to attack Gen Aoun. But two factors now favour a Syrian-led assault against him: Syria may be counting on the support of the US, following the deployment of Syrian troops in Saudi Arabia. Secondly, if the Syrians wait, rainy weather will soon make an attack more difficult.

● Beirut newspaper reports this week that British hostages were about to be released may have been premature, says a pro-Iranian Shia Moslem source with a record of accuracy. However, a release is almost certain this month.

He says three conditions have yet to be fulfilled: Britain must re-open its embassy in Tehran, more Moslem prisoners must be released from Khiam prison in southern Lebanon by the Israeli-backed South Lebanon Army militia, and Syrian and Iranian officials must agree on the conditions of the liberation.

NEWS IN BRIEF

India set for explosive rise in fuel prices

THE Indian government said yesterday domestic oil consumption would be cut this year by 15 per cent, sparking a politically explosive rise in oil prices, writes David Housego in New Delhi. Mr Madhu Dandavate, the Finance Minister, implied that domestic fuel prices – still based on a crude oil price of $17 a barrel – could be brought up to international levels.

Mr Dandavate also hinted that India would borrow heavily from the IMF's structural adjustment facility. Asked whether India's strategy was now to implement the measures required by the Fund before borrowing from it, he said: "That is correct." A sharp rise in oil prices and other IMF-style measures seem bound to undermine further prime minister V.P. Singh's troubled government.

Turkish foreign minister quits

The resignation of Mr Ali Bozer, Turkey's foreign minister, yesterday gave the first hint of a government split over President Turgut Ozal's handling of the Gulf crisis, writes John Murray Brown in Ankara. Mr Bozer gave few details yesterday about his resignation. But Turkish papers have speculated all week about his future, following an incident in Washington last month when he was barred from Mr Ozal's meeting with President Bush and Mr James Baker, the Secretary of State.

The Turkish leader now appears in full charge of policy on the Gulf, despite criticism that he has overreached his powers. Mr Ozal plans to visit all countries affected by the crisis. It is unclear who will accompany him as foreign minister. Mr Gunes Taner, an economy minister, was one name suggested.

Britain charters Gulf fleet

A MOTLEY fleet of 36 merchant ships flying 14 different flags has been chartered along with a British Airways Boeing 747 to help ferry the UK's Gulf-bound armoured brigade and its equipment, writes David White, Defence Correspondent.

Only two of the ships are British. Twenty-seven are already en route along with four Royal Fleet Auxiliary landing ships, with the first ships due through the Suez canal today. A further five merchant vessels have been chartered to support other British units in the Gulf. The 747 is to make daily flights for 14 days starting towards the end of next week to help transport the 9,500-strong ground force, due to join US Marines on Saudi Arabia's north-eastern coast.

Japanese debate on peacekeeping begins

By Ian Rodger in Tokyo

JAPANESE parliamentarians yesterday began what promises to be an historic debate over whether the country should send its soldiers overseas for peacekeeping activities.

At issue is whether Japan should respect its pacifist constitution to the letter and not get involved in international disputes, or whether it has a responsibility as an economic superpower to contribute in human as well as financial terms to peacekeeping activities overseas, such as those now under way in the Gulf.

Although 45 years have passed since Japan's catastrophic defeat in the second world war, emotions over the role of the military remain extremely strong in the country.

The opposition Socialist and Communist parties are totally opposed to sending members of the country's Self Defence Forces (SDF) abroad, and deep divisions over the issue have emerged in the ruling Liberal Democratic Party (LDP).

Yesterday, Mr Toshiki Kaifu, the prime minister, launched the debate at the opening of an extraordinary Diet (parliament) session, saying he would do everything in his power to pass a bill to enable the government to set up a peacekeeping force that would include SDF members.

However, opposition within the LDP has been so strong that Mr Kaifu had to scrap his plan to introduce the bill itself yesterday because party leaders were still wrangling over its main clauses.

Even after the LDP approves the bill – probably early next week – Mr Kaifu will face an uphill struggle, because the LDP lacks a majority in the upper house of the Diet. If he fails to get the bill through, he would almost certainly be forced to resign.

Among the sticking points over the formation of a peacekeeping force is whether members of the SDF should be allowed to participate at all. If so, should they be allowed to carry pistols for self-defence? Also, should ships or aircraft be authorised to defend themselves? Should the force be controlled by the prime minister or by the cabinet?

The government, after considerable internal debate in the past few weeks, has taken a positive attitude to most of these issues, and Mr Kaifu put the case for the force strongly in his speech yesterday. "The issue is whether or not Japan will be able to respond as a key member of the international community to threats to international peace and justice rather than sitting idle just because there is no direct threat to Japanese territory."

He said forming a peace co-operation corps "will further that lofty constitutional ideal to which the Japanese people are devoted of using peaceful means to govern human relationships."

Kuwaitis seek to present united front

By Victor Mallet in Jeddah and Robert Graham in London

KUWAITI leaders, businessmen and politicians meet in the Saudi Arabian port of Jeddah today to discuss how to liberate and then rebuild their country.

Sheikh Jaber al-Ahmad al-Sabah, the exiled Emir, wants the three-day "people's conference" to demonstrate that Kuwaitis are united in their determination to restore the legitimate government.

The Bush administration has made restoration of the al-Sabah family a key objective. But President Bush is under pressure to justify the potential use of the US military to restore what is depicted by some in Congress as a feudal monarchy. President François Mitterrand of France when he put his peace plan to the United Nations General Assembly last month omitted mention of the al-Sabah family.

Privately, pro-democracy activists among the 700 delegates at the Jeddah conference are likely to press the ruling family to commit itself to restoring the national assembly dissolved by Sheikh Jaber in 1986.

Sheikh Saad, the Crown Prince and prime minister, and other members of the al-Sabah family have made guarded references to democratisation in a future sovereign Kuwait, but they will be emphasising the need for liberation as a first priority.

Conservative Gulf Arabs argue that pro-democracy protests in Kuwait in recent months persuaded President Saddam Hussein that he could exploit divisions in Kuwait society and even elicit Kuwaiti support – which was not forthcoming – for his invasion.

Critics of the al-Sabahs, on the other hand, say that press censorship and an absence of debate about the Iraqi threat, particularly when Iraqi troops were massing on the border at the end of July, meant that Kuwait was unable to defend itself.

The agenda for the meeting reflects the Kuwaiti government's desire to show a united front to the world. "The objective of the conference is to concentrate on the cause of liberation," said Mr Faisal al-Mutawa, one of the organisers. "That is priority number one."

But he added: "We will be willing to listen to different points of view on other issues besides liberation. This is a congress which will show where the Kuwaiti people stand."

While critics of the al-Sabah family are expected to act as a loyal opposition, they nevertheless expect some promise at the end of the conference to open up the political system if and when normalcy is restored.

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INTERNATIONAL NEWS

Extremist sent to labour camp for inciting race hate

By Leyla Boulton in Moscow

AN anti-Jewish extremist was sentenced to two years in a labour camp yesterday in a belated crackdown on growing anti-Semitism in the Soviet Union.

Mr Konstantin Smirnov-Ostashvili, accused of organising a raid in January which broke up a meeting at the House of Literature in Moscow and insulted Jewish writers present, is the first Soviet citizen in decades to be tried for inciting racial hatred.

The 54-year-old worker, an activist of the far-right Pamyat group, clutched a bunch of red carnations as the judge read out the verdict to a packed courtroom guarded by interior ministry troops and police.

Mr Ostashvili's supporters, ranging from young skinheads to elderly war veterans, punctuated the proceedings with shouts of "Shame" and "They've removed all the Russian witnesses."

Outside the courtroom, Pamyat members vented their anger against Zionism and Jewish-sponsored communism. "The genocide of the Russian people began in 1917," said one, referring to the fact that many Bolshevik leaders were Jewish.

Despite fears that Mr Ostashvili will become a martyr for Pamyat's cause, human rights activists welcomed the verdict as a clear move against anti-Semitism, which some believe is being stirred up by KGB and Communist Party conservatives.

"This is a historic day," said Mr Andrei Makarov, the public prosecutor, afterwards. "This case came about not because of the state and the law enforcement bodies but in spite of them."

Ms Alla Gerber, a Jewish writer who witnessed the Pamyat raid, said the state had tried to limit the scope of the case by bringing just one man to trial when "60 to 70 people" had taken part.

A record 100,000 Jews emigrated from the Soviet Union this year, citing growing anti-Semitism as at least one reason for leaving. Many of the 2m Jews still living in the country fear a resurgence of anti-Semitism unparalleled since the pogroms of the last decades of tsarist rule, as the country's economic crisis worsens by the day.

"Anti-Semitism has always existed but when the situation in the country gets bad, it tends to come to the surface," says Mr Vladimir Shevelyov, an editor at the radical weekly Moscow News.

● The Russian Supreme Court yesterday gave Mr Oleg Kalugin, the outspoken ex-KGB general, the right to sue Mr Nikolai Ryzhkov, the Soviet Prime Minister, for stripping him of his rank and medals.

Thirty-three democratic organisations in the Soviet Union will attempt to set up a united democratic movement next weekend (October 20-21) to oppose the ruling Communist Party, writes Quentin Peel in Moscow.

The move is the most serious yet to organise a united front out of a broad spectrum of democratic forces, and its organisers claim it will lay the foundation for a two-party system in the Soviet Union.

All the most serious parties in the political centre – now legalised by this week's law on public organisations – are set to attend.

Banks cool on Brazil bank debt proposals

By Stephen Fidler, Euromarkets Correspondent

RADICAL proposals for dealing with Brazil's bank debt, unveiled in New York this week, have met a cool response from leading bank creditors.

The proposals were outlined at the first meeting between the country's bank advisory committee, enlarged at Brazil's request from 16 banks to 22, and the country's debt negotiators, led by Mr Jorio Dauster and Mr Antonio Kandir.

The Brazilian team was scheduled to return to Brazil last night, after Mr Dauster, in an interview carried by Reuter, expressed optimism that the negotiations could be completed by early next year.

However, bankers were far from optimistic that this would be possible. "This is going to be a long, hard negotiation," said one banker on the panel, which is led by Citicorp of the US. The proposals presented by the government did not appear to be a "realistic arrangement", he said, but the banks had made no counter-proposal.

According to Reuter, the proposals include untying Brazil's private sector debt from the public debt. One option for the public debt would involve banks rolling past debt and interest arrears into zero-coupon bonds and allowing the banks to tender the bonds for the dollars Brazil would make available every year.

An official from the International Monetary Fund attended the talks. The IMF is preparing a \$2bn (£1bn) loan programme for Brazil, but that depends, according to Mr Michel Camdessus, IMF managing director, on Brazil making "substantive progress" in its negotiations with the banks.

The IMF's board may consider the loan later this month. However, according to a banker, by no yardstick could it be said that this week's meetings had yielded substantive progress. No date had been fixed for the next meeting.

NEWS IN BRIEF

Walesa urges 50-year debt moratorium

By Christopher Bobinski in Warsaw

MR Lech Walesa, Solidarity leader, hopes to win agreement in the west for a moratorium lasting half a century on Poland's debt capital and interest repayments, if elected president on November 25.

Mr Walesa told the FT: "I understand the west doesn't want to forgive Poland's debts because that would create a precedent so let's agree – I give it all back starting 50 years from now."

He also said that should he win the presidential election he would keep most of the present government until parliamentary elections, expected in the spring.

Sweden boosts interest rates

Sweden's central bank raised interest rates sharply yesterday to defend the crown, which had fallen to its lowest level in eight months because of speculation that it might be devalued, Reuter reports from Stockholm. The bank said it would begin a repurchase agreement on Monday at a fixed rate of 14 per cent to dispel rumours and market uncertainty. The bank will thus push its overnight lending rate to 14 per cent from around 12 per cent.

US bans drift nets

The US Senate has voted to ban the use of large drift nets in US waters up to 200 miles offshore, as well as their use by domestic fishing fleets anywhere in the world, AP reports from Washington. The nets, which can extend 40 miles, have been blamed for the deaths of thousands of dolphins, other sea mammals and birds caught in their paths as they float through the water to trap tuna and other commercial fish.

Warrant for ex-mayor's arrest

A French court yesterday issued a warrant for the arrest of Mr Jacques Médecin, who resigned last month after 24 years as mayor of Nice and fled to South America, AP reports from Grenoble. He quit on September 16, 10 days before he was to appear in court to face possible charges of financial misconduct.

Rio Group to be enlarged

Latin American leaders have agreed to strengthen the Rio Group forum by admitting Bolivia and Paraguay, Reuter reports from Caracas. "They are already in," said Argentine foreign minister Domingo Cavallo. The group, set up in 1986 as a forum for policy debate, formerly comprised Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.

The vase overflows with despair in Vaulx-en-Velin

An accident detonated a volatile mixture of unemployment, anger and drugs, William Dawkins reports

HUDDLED under the orange light of a street lamp, half a dozen young Arabs chat aimlessly in the cold night among the remains of a burned-out shopping centre near Lyons.

Normally, they would be in the bar on the corner, or watching television at home. But this evening, the bar is a tangle of charred beams and melted plastic – and they are in no mood for TV. The miserable little group betrays a sense of helpless anger with the police, mixed with regret over what the suburb of Vaulx-en-Velin has brought upon itself this week.

"It's a big shame. The patron was my friend," says one, jerking his head towards the remains of the bar, formerly the main meeting place in the recently renovated Taureau-du-Mas district. "But at least we have drawn attention to ourselves."

Until last weekend, Vaulx-en-Velin was seen locally as a model of sensitive urban policy. That ended brutally when a motorcycle driven by Laurent Assebille, a youth from an Antillean family, skidded into a police car. His passenger, Thomas Claudio, a 21-year-old Spanish polio sufferer, died almost immediately after his head hit the tarmac. Neither was wearing a crash helmet.

This latest in a series of police accidents triggered an explosion of youth riots, which continued to smoulder in neighbouring suburbs throughout the week, probably worsened by troublemakers from outside. France has not seen such looting and burning since similar riots in another Lyons suburb nine years ago. It is depressingly similar to the 1980s urban riots in Britain and the US, where anger also focused on police.

The classic ingredients for urban strife are there. About 20 per cent of Vaulx-en-Velin's 45,000 inhabitants are jobless, more than twice the national average; well over half of them are under 30 – yet there is no local secondary school – and more than 28 per cent are of foreign, mainly Arab, background. The feeling among locals is that race was an element, but not the main one, in the riots.

"What happened with the police was the last drop that made the vase overflow," says Mr Philippe Buche, head of the Taureau-du-Mas social centre.

Whatever the causes of these tragic events, they invite the question of whether the government is doing enough for the many other suburbs across France with similar problems. As it is, Paris spends FFr2bn (£198m) annually on the 400 urban areas reckoned to be dangerously deprived. Mr Maurice Charrier, the town's Communist mayor, argues that this is not a failure of urban regeneration policies but a sign that a national debate is urgently needed on relations between police and city youth.

The residents of Vaulx-en-Velin yesterday discover the burnt ruins of the shopping centre near Lyons

For Vaulx-en-Velin, a jumble of stained 1960s tower blocks bordered by motorways, the timing could not have been more unfortunate. It came just a week after Mr Charrier staged an enormous street party to christen an Alpine climbing wall, the finishing touch to a FFr40m three-year restoration scheme for Taureau-du-Mas.

Oddly, more of Vaulx-en-Velin's desperate youth are active climbers than footballers, which might explain why the rioters did not burn the fuschia plastic tube covering the wall up the side of a tower block next to the shopping centre. It stands above the blackened ruins like a gaudy reminder that not all is lost. While the overall scheme did not turn the district into an urban paradise, it made a big difference by bringing trees, terraces and jazzily painted facades to an area once covered in tarmac and muddy gravel.

Apart from the climbing wall, the only other notable survivor was the local flower shop. Its manageress did not find the courage to re-enter her premises until Thursday, when she could be found tearfully wiping ashes off her plastic roses. "I suppose they thought there was nothing worth stealing here," she sniffs.

Politics in Vaulx-en-Velin were until recently stable, with the Communists in charge since 1929. But the extreme right-wing National Front (NF) – which has solid supporters among the local police – has been moving up fast. The NF won a record 17 per cent of the vote in the last municipal elections in 1989, enough to give it three town councillors.

Mr Thierry Derocles, the NF town councillor who stood successfully against Mr Charrier in the last elections, reckons the riots have only vindicated the NF's policies. "It just shows what we have said all along. You can never assimilate these people into French society," he says. He seems unsurprised that his office was petrol-bombed last week.

However, local residents, social workers and members of respectable political parties tend to highlight poor relations between the young and the police as the spark for a volatile mixture of joblessness, despair and drugs.

"The young feel that they are having their papers checked too often. They don't like it when they are made to wait for half an hour, when they are searched, when the police make remarks about their physical appearance. They are not against such checks. But they need to know what they are for," says Mr Charrier.

The youths hanging round the shopping centre talk of two-speed justice. They point resentfully to the case of a white taxi driver from the next door suburb of Villeurbanne – also an area were the NF is on the advance – who was freed with a suspended jail sentence last week, after being found guilty of shooting a young Arab.

"I can easily imagine why some of my kids set fire to cars last weekend, though I can't forgive them," says Mr Jerome Faynel, a worker at the youth training centre.

On one thing they all agree. As Mr Charrier says, the authorities cannot afford to let their response disappoint the residents, "otherwise we will never recover."

INTERNATIONAL NEWS

Democrats head for new budget clash with Bush

By Peter Riddell, US Editor, in Washington

CONGRESSIONAL Democrats were last night heading for a renewed confrontation with President George Bush over proposals to increase taxes on the better-off in their package to resolve the budget crisis.

House Democrats yesterday rallied round a plan to raise the top income tax rate from 28 to 33 per cent and to impose a 10 per cent surtax on millionaires.

With an eye on the mid-term elections on November 6, Congressman Richard Gephardt, the House majority leader, sought to distinguish the Democrats from the Republicans by stressing the theme of "fairness" in ensuring that the better-off contribute more to debt reduction than ordinary working families.

The White House yesterday dismissed the House Democrat package as "just another tax and spend plan".

Faced with a deadline of a week before the US government runs out of money again, there is now the prospect of several different packages being debated.

The House Democrat version, which may include a small cut in capital gains tax, has a strong chance of passing next week against a House Republican plan being prepared yesterday and a "barebones" plan approved by the Ways and Means committee. The latter is closest to the original budget agreement defeated by the House a week ago and was described yesterday by the White House as a "good plan which we can work with".

By contrast with the confrontational approach of the House, the Senate Democratic leadership was yesterday working with senior Republicans on a bipartisan package.

This would avoid increases in income tax rates, but might limit specific tax deductions by wealthy individuals.

Consequently, there is the prospect of a difficult Senate/House conference to resolve the differences even before Mr Bush decides whether to approve the final package. His main sanction, reaffirmed yesterday, is again to veto legislation which would enable the government to continue working after next Friday.

Both Senate and House packages would reduce the impact of some of the unpopular measures in the original plan. They would drop an increase in tax on home heating oil, eliminate a two-week delay before workers can receive unemployment compensation, and cut the savings on Medicare health provision for the elderly. Tax reliefs for small businesses costing $12bn (£6bn) would be dropped, even though the White House has insisted that such "growth incentives" are essential.

Businesses see growing prospect of recession

By Anthony Harris in Washington

THE probability of a US recession next year has risen sharply, according to economists of the big US corporations represented in the Business Council.

However, a significant minority think a recession has already begun.

The council's latest economic half-yearly report says the probability of a recession has risen to 39 per cent, against 22 per cent at the time of the council's spring report.

The industrial economists, however, are gloomier. Mr Lewis Preston, chairman of J.P. Morgan and the council's vice-chairman, said he believed the recession was already here, and that it would be more severe than the current consensus projects.

The latest official statistics continue to give a mixed picture. The value of retail sales rose 1.1 per cent in September, according to the Commerce Department. While about a third of the increase was due to higher fuel prices following the Gulf crisis, nearly two-thirds reflected the unexpected strength of car sales during the month.

Other retail sectors were sluggish, and clothing sales fell by 1.5 per cent, partly reflecting unusually heavy price markdowns.

The producer price index for finished goods rose 1.6 per cent in the month, in spite of a drop in food prices. While this was mainly because of higher oil prices, and largely expected, there was also an acceleration in the "core" index, less the volatile food and energy components. This rose by 0.6 per cent, up from 0.3 per cent in August.

In the first three quarters, the producer price index has risen at an annual rate of 6.3 per cent. Its persistent strength has reportedly persuaded most of the Federal Open Market Committee, which sets US monetary policy, that even if there is unexpected agreement in Washington on a deficit reduction package, interest rates can only be eased by a token 25 basis points at this stage.

Hills warns of trade wars if Uruguay Round not completed

By Peter Montagnon in St John's, Newfoundland

FAILURE to complete the Uruguay Round of multinational trade negotiations would lead to trade conflicts much worse than those of the 1930s, Mrs Carla Hills, US trade representative has warned.

Speaking during a meeting of trade ministers from the US, Canada, EC and Japan, she said it was impossible to return to the status quo before the round started.

"I will have petitions on my desk stacked to the ceiling the day the round breaks up. We will have trade wars over all sorts of silly things."

Her warning came as the ministers grappled with ways to complete the faltering round on time in December. The Uruguay Round, the most ambitious set of trade negotiations ever, covers a broad spectrum of issues from farm trade reform to liberalising international trade in services such as banking and shipping.

Yet with no immediate signs of an end to the deadlock over farm reform, some participants are beginning to voice the possibility that negotiations might have to continue after December.

According to one senior Canadian official, it might be possible to agree only on a broad framework of reforms by then. Detailed legal drafting would have to continue until next March 1, when the US has to submit the package to Congress. This would follow the pattern set by the US-Canada Free Trade Talks in 1987.

With the Uruguay Round negotiations now seriously behind schedule and a continuing reluctance on the part of the big trading powers to make the necessary political sacrifices, even this solution represented an "awesome challenge", the official said.

Mrs Hills said the task of completing the round in September looked challenging but was "still within the art of the possible." It would be "very, very difficult" to persuade Congress to extend the fast-track negotiating authority it has conferred on the Bush administration, she added.

A further worry for ministers here is whether the developing countries will walk away from the round if they fail to win concessions for their agriculture and textile exports.

Were they to do so there would no longer be enough participation needed to complete the round, Mrs Hills said.

● The EC has warned the US and Japan that it may revise its offer to reduce tariffs by one third if they stick to their proposal for selective elimination of some tariffs while leaving others high.

Describing the zero-for-zero approach as window-dressing, officials said it masked an unwillingness to fulfil commitments made earlier. Without the zero element the US offer represented tariff cuts of only 11.8 per cent. Those proposed by Japan were worth only 18 per cent, they said.

UK NEWS

ITN plans cost cuts to avert crisis

By Raymond Snoddy

SIR DAVID NICHOLAS, chairman of Independent Television News, told staff yesterday that the company had been forced to consider urgent cost-cutting to avoid a financial crisis.

Sir David warned that the process was likely to be painful, but it was vital if the health of the business was to be ensured.

ITN faces difficulties because of the extra burden of covering the Gulf crisis and the cost of moving to a new headquarters in London later this year.

The stagnant property market in London has also imposed financial strain because the renting of office space in the new building, in Grays Inn Road, has not produced expected revenue of up to £6m.

Covering the Gulf crisis has cost more than £750,000 since August, although that is a modest figure compared with the $1m (£506,000) a week some US television networks have been spending.

In a letter to staff yesterday Sir David said the company's ability to pay wages and report the news was not in danger.

He added, however: "The financial pressures on us at present do mean that we are urgently looking at ways to make significant efficiency savings on our costs."

The crisis has meant that ITN, which is owned by the 15 regional ITV companies, has exceeded its overdraft limits.

Mr David Waddington, home secretary, has been warned that banks are indicating that they will not increase the company's borrowing limits because of uncertainty about its future.

ITN, which has an annual budget of £60m, has been trying to raise about £17m.

Meanwhile, the company faces a potential threat under the terms of the new Broadcasting Bill, which allows for a company other than ITN to be chosen to provide the news for Channel 3, as ITV is to be known. The Independent Broadcasting Authority has made it clear that ITN will not be challenged until at least 1994.

However, the government has increased the uncertainty by insisting that 51 per cent of the Channel 3 news station should be held by outside shareholders.

Sir David warned in a separate letter to the home secretary that ITN was "now on the verge of serious instability". He also asked Mr Waddington to allow the new Independent Television Commission (ITC) – which will replace the Independent Broadcasting Authority – to decide on the best future balance of shareholders.

Designers fight to stay in fashion

London plans a return to the catwalk limelight. **Alice Rawsthorn reports**

FASHION showrooms in London will be crammed with journalists and buyers this weekend for the new season's designer collections. But the outlook for the dozen or so designers showing their collections is far from rosy.

The domestic market for designer fashion is still depressed after more than a year of high interest rates.

Meanwhile the strong pound may make it more difficult for London designers to compete with their counterparts in Paris, Milan and New York in the international market.

In spite of this unfavourable backdrop, there are some positive signs for British designers. Some, such as Jasper Conran and Arabella Pollen, have joined forces with mainstream clothing manufacturers. Others, notably Rifat Ozbek, are gaining stature in the international scene.

The British Fashion Council (BFC) under its new chairman, Sir Ralph Halpern, chairman of Burton Group, plans to forge closer links between the London designers and mainstream manufacturers and retailers.

There are also moves to enhance the status of London as a fashion centre. From next spring all the London ready-to-wear designers will be able to show their collections in one forum in Chelsea.

These developments have come at a critical time. London designers have struggled for years with fragile finances, inexperienced management, inadequate government support and a poor rapport with the mainstream fashion industry.

Those problems have intensified in recent years as other international fashion centres have become larger and more powerful.

French designers have benefited from government support; the Italians have been helped by close liaison with mainstream manufacturers, such as Marzotto and GFT. US designers have built up large businesses through lucrative licensing deals.

Slimline tonic: Paul Costelloe boosts the London shows

London designers been left behind. Katherine Hamnett and Paul Smith have sales of more than £20m a year. The others, such as Paul Costelloe, muster sales of no more than a few million pounds. While a well-known British name such as Arabella Pollen makes just £1.5m, in New York both Ralph Lauren and Calvin Klein made sales of more than £500m last year.

This means that many London designers are finding it increasingly difficult to pay for elaborate catwalk shows and expensive advertising campaigns.

Even Rifat Ozbek, now one of the most successful British designers, shows his collection on video rather than on a conventional catwalk.

Last year Katherine Hamnett and John Galliano, two of the leaders in the London scene, announced that they would be showing in Paris. To the pessimists this looked like the beginning of the end for London as an international fashion centre.

The pessimists were wrong. The London shows may be smaller than those of Paris and Milan but 14 designers are showing their collections in London this weekend and the usual numbers of foreign buyers and journalists have come to see them.

The industry hopes the new fashion forum in Chelsea will persuade Katherine Hamnett and John Galliano to return, and that the younger European and North American designers will start to show in London.

Meanwhile, the designers themselves have started to make some progress towards running their businesses more professionally.

Jasper Conran recently concluded a deal with Bidermann, the powerful French textile group, for men'swear. Arabella Pollen has brought in Courtaulds Textiles, the British group, as a minority shareholder.

The London designers are also becoming more active on the licensing front and they now sell diffusion collections – clothes that are cheaper than their main ready-to-wear ranges – to generate extra sales.

The BFC is commissioning a study of the structure of the fashion industries in other countries to prepare a new strategy for the British industry.

Sir Ralph has no illusions about the scale of the challenge ahead.

He said: "At the moment the sales of all the British designers would not add up to the turnover of one top American. But we can – and we will – learn from the success of other countries."

Holiday surcharges imposed

By David Churchill, Leisure Industries Correspondent

CHARTER airlines are imposing surcharges of up to £90 a passenger on tour operators because the Gulf crisis has pushed up fuel prices.

The Association of British Travel Agents (Abta), the trade body for the travel industry, has allowed 30 operators to pass on surcharges to their customers.

The level of such surcharges, however, is unlikely to cover the full costs of the fuel increase. That is because travel companies are reluctant to depress demand for holidays by passing on extra costs to their customers.

Holiday bookings for next year are substantially down on this year, according to trade sources.

High interest rates and general economic uncertainty are blamed for the fall.

Many travel companies regard last week's 1 per cent fall in interest rates as too small to help increase demand.

Tour operators which have sought Abta permission to impose surcharges from next month include a number of small, specialist long-haul companies. Established names such as Thomas Cook and Kuoni have also applied for permission to surcharge.

The size of the surcharges will depend on the cost of aviation fuel at the time of the flight.

The biggest imposed so far on operators is understood to be £90 a seat on a flight from London Gatwick to Bangkok. The extra cost for operators is averaging about £10 a seat per hour flown.

If big tour operators absorb some of the extra charges, further pressure will be felt by smaller companies whose profit margins are already thin. By buying aviation fuel ahead of recent price rises, big operators such as Thomson Holidays and Intasun have already guaranteed to customers that there will be no surcharges until the end of next summer.

Under Abta rules, tour companies have to absorb the first 2 per cent of any surcharge they want to levy. Customers have the right to cancel a holiday without penalty if the surcharge amounts to more than 10 per cent of the original cost of the holiday.

Demand fall expected for machine tools

By Patrick Harverson

DEMAND in the UK for industrial machine tools will fall by almost 10 per cent next year as the economic slowdown forces companies to cut investment expenditure, the Machine Tool Technologies Association said yesterday.

The association expects only a short drop in demand, however. It predicts a return to healthy sales growth in 1992.

It also sees good prospects for long-term demand, especially from large purchasers of machine tools such as the vehicle and aerospace industries.

The association does not think the present downturn will be as severe as that in the recession of the early 1980s. But it does not rule out job losses among manufacturers over the next 12 months.

The forecast, compiled by Oxford Economic Forecasting, estimates that total sales of machine tools in the UK will reach £882m at 1985 prices this year before falling to £796m in 1991. That compares with sales last year, also at 1985 prices, of £850m.

The forecast is based on an assumption that the price of a barrel of oil will be about $25 by the third quarter of 1991, compared with the present price of about $40, and that UK interest rates will be at about 11 per cent.

Steel delay allegation is rejected

By Charles Leadbeater, Industrial Editor

BRITISH STEEL yesterday dismissed suggestions from the Scottish National Party that it had postponed a controversial decision about the future of its plate mills. The decision could put in doubt the future of steel plate manufacture in Scotland.

Mr Jim Sillars, Scottish Nationalist MP for Glasgow Govan, said informed sources in British Steel had told party officials that the company had delayed its decision on replacing its existing mills at Dalzell, Lanarkshire, and Scunthorpe, Humberside, with a single plant on a greenfield site on Teesside.

British Steel declined to comment on the suggestions which Mr Sillars made in a letter to Mr Ian Laing, the Scottish industry minister. Mr Laing said: "As usual Jim Sillars does not know what he is talking about."

It is understood that the review of the company's strategy for plate mills is still in progress.

The Scottish Office has submitted a paper to British Steel arguing for the Dalzell plant to be kept open. However, Mr Laing said he had not been told by British Steel that a decision was imminent.

Some Scottish Labour politicians believe the company may have delayed the decision on plate mills to placate Scottish Conservatives angered by the company's announcement earlier this year that it planned to close its hot strip rolling mill at Ravenscraig, Lanarkshire.

Mr Sillars said sustained political pressure had forced British Steel to take a more cautious approach to the Scottish industry.

Watchdog starts water inspections

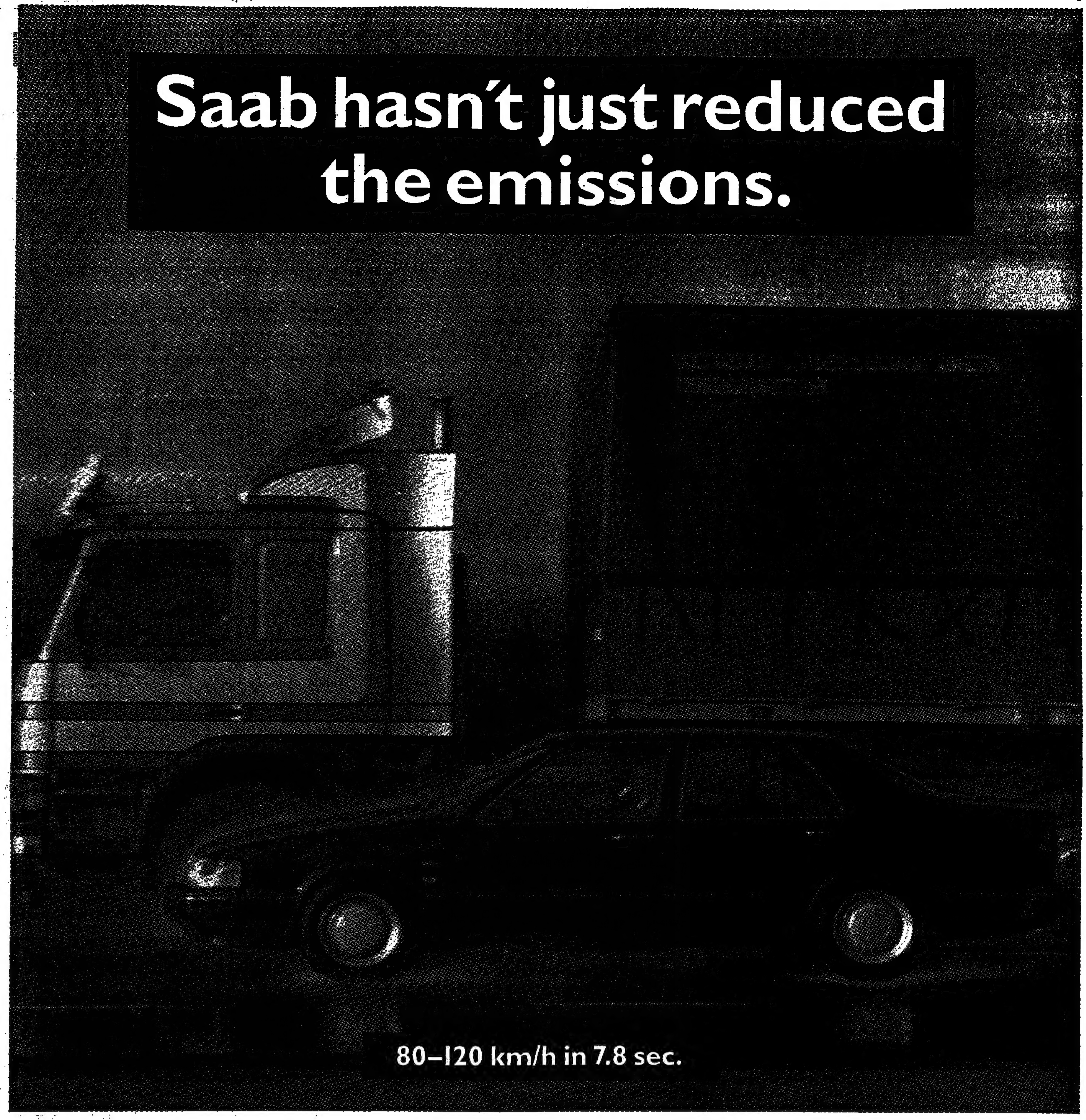
THE FIRST programme of inspections of water quality among all the water supply companies in England and Wales has been launched by the Drinking Water Inspectorate, writes Richard Evans. All the larger companies are expected to be checked before the end of the year.

The inspectorate was set up earlier this year, and the tests are part of a regular technical audit of the 10 privatised water and sewage companies and the 29 former statutory water supply companies.

The purpose is to ensure that the companies comply with new European Community requirements about the quality of drinking water.

The audit consists of two elements: an annual assessment, based on information supplied by the companies, of the quality of water in each supply zone, and inspections of individual companies to assess the quality of information collected.

Two leading consultants, Watson, Hawksley and Rofe, and Kennard and Lapworth, have been appointed to help by carrying out inspections of 17 companies over the next three months. Findings from all the tests will be included in the inspectorate's annual report for 1990, due to be published next summer.


Saab hasn't just reduced the emissions.
80–120 km/h in 7.8 sec.

BA may take £20m stake in Soviet airline

By Paul Betts, Aerospace Correspondent

BRITISH Airways is considering investing £20m in a minority stake in a new Soviet airline provisionally named Air Russia.

Lord King, BA chairman, signed an agreement in Moscow yesterday with Mr Boris Panyukov, the Soviet civil aviation minister, to study the creation of an international airline and a series of other airline projects.

The new carrier would involve a joint venture between Aeroflot, the Soviet state carrier, and BA. Aeroflot would be the main partner in the venture with BA holding a minority stake.

If the studies and discussions between the two parties are successful, the new airline will begin operating international services to western Europe, north America and the far east with a fleet of new aircraft in 1992.

The airline would be based at Moscow's Domodedovo airport, where BA and its Soviet partners propose to build a new international terminal.

Plans also involve the possibility of setting up an aircraft leasing company to be jointly owned by Aeroflot, as well as by a consortium of international financial institutions and BA.

No firm timetable has been set for the studies, but Lord King and Mr Panyukov said they should be completed with recommendations as soon as possible.

Lord King said yesterday he was delighted to be so closely involved with the Soviet government and Aeroflot in plans to develop a new international airline.

"With the momentous changes taking place in the USSR, an efficient, competitive, international airline service will be a commercial necessity," he said.

Although plans were still at an early tentative stage, Lord King said he had assured Mr Panjukov that "BA will provide the best of its expertise and experience for the completion of the development studies".

The Soviet Union has been increasing its links with western groups to improve the overall efficiency of its civil aviation industry to bring it closer to western standards.

Aeroflot, the world's biggest airline carrying more than 130m passengers a year, has recently bought aircraft from European Airbus.

The Soviet Union has shown interest in acquiring Boeing 747 jumbo jets.

Serious Fraud Office job is abolished by Treasury

By Richard Donkin

MR MICHAEL CHANCE, deputy director of the Serious Fraud Office, is to take early retirement next month after the removal of his post in a Treasury cost-cutting exercise.

The move is the first significant economy at the SFO since its inception in 1988. Mr Chance, 52, who was previously chief crown prosecutor for north London, was one of the first appointments.

The SFO said yesterday that the cutback arose from a staffing review completed some months ago by the consultancy and inspection group of the Treasury, which deals with public expenditure. It said the review, which was a normal procedure for a recently-formed group, recommended the removal of one of the two civil service grade-three posts below that of the director.

That post was recently filled by Mrs Barbara Mills, QC, following the retirement last month of Mr John Wood.

The SFO said the move should not be interpreted as a budget cut because the review would make way for additional spending and possible recruitment in other areas.

Inflation rise blows public spending off course

Just when everything was decided, the Treasury must revise its figures, reports Rachel Johnson

UK INFLATION has risen to a rate of 10.9 per cent just when Mr Norman Lamont, chief secretary to the Treasury and custodian of the public purse, needs it least.

He has spent the past few months trying to settle the government's spending limits for 1991-1992 with the ministers of the big-spending departments, a process he continued this week from his hotel room in Bournemouth.

There is never a good time for the retail prices index to peak – and it could rise again next month – but the news cast a cloud over the last day of the Conservative conference in Bournemouth as it came after party assurances that inflation would eventually turn down.

In the Budget last March, the Treasury planned that public spending in 1991-1992 would total £192.3bn. That is now expected to be revised to around £200bn in the chancellor's Autumn Statement next month.

As the accompanying chart shows, the rise in inflation – what Mr John Major, the chancellor, calls his "main enemy" – is largely responsible for the ferocity of this year's public spending negotiations.

The £192.3bn planning total was reached on the assumption that this September's RPI would be rising at a rate of 6.5 per cent, an underestimate of more than four percentage points.

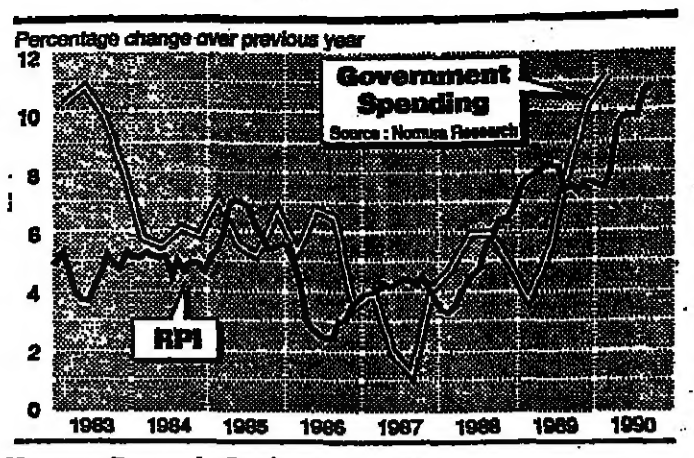
Tough stance: Norman Lamont keeps them guessing

The actual inflation rate will cost the government dear. It is tied to upgrading social security benefits and pensions from next spring by the inflation rate shown by the latest RPI.

Several City analysts have worked out that inflation's rise to 10.9 per cent will cost the Treasury an extra £2bn. They estimate that every one percentage point rise in inflation adds £525m to the public spending bill.

Inflation also disturbs the areas over which the Treasury has more discretionary control. This is partly why spending ministers have had to battle so hard to ensure that their departments will be able to make real increases in spending next year.

Mr Chris Dillow of the Nomura Research Institute says the government will need to spend a further £2bn to compensate these departments for inflation – and a further £3bn will need to be spent on politically-sensitive areas such as health, transport, the environment and education.



Altogether, the inflation and poll-tax induced extras total £10.2bn. Against this, the Treasury could offset the £3bn it has in its contingency reserve, so the City expects the chancellor to announce a £7bn rise at least in the planning total in the autumn statement.

However, although inflation looks like throwing the government's spending plans off course in 1991-1992, it could do the reverse for its finances in 1990-1991.

Wage inflation, running at around 10 per cent, has caused the revenue side of the balance sheet to swell: a one percentage point rise in wage income leads to a 1.7 per cent rise in income tax revenues.

A similar rise in price inflation leads to a 1 per cent rise in customs and excise duties. The Treasury therefore is likely to overshoot its estimate for general government receipts of £219bn in 1990-1991.

However, the depth of this year's economic slowdown could shatter the Treasury's hopes of banking the inflationary gains against its losses.

It forecast that gross domestic product would expand by 1 per cent in 1990, but the City consensus is that the third and fourth quarters of this year will show negative growth.

While it takes corporation tax receipts about 18 months to diminish as corporate profits are squeezed, other revenues start dropping almost immediately.

Most economists have lowered growth forecasts for 1990 and the Treasury is expected to follow suit next month.

The economists warn that as the fiscal balance is very sensitive to the pace of economic activity, the government may adopt the Keynesian policy of spending its way out of the recession.

Mr John Sheppard, UK economist at Warburg Securities, the London investment bank, said: "The evidence from previous cyclical turning points is that the impact on government borrowing is always more pronounced than official and private forecasters believe at the time." With Mr Lamont holding the purse strings, however, the extent of the expected fiscal loosening can only be guessed at until the chancellor's autumn statement.

Ministers have attested to his toughness in the spending round, and mere assurances that inflation will fall next year have compensated them for the fact that its rise eroded much of their real spending power this year.

Rise in bank lending slows

By Peter Norman, Economics Correspondent

BRITISH bank lending grew by its smallest amount in three years in the three months to the end of August, the Bank of England reported yesterday. The rate of growth slowed as new borrowing for house purchases fell sharply and the growth of borrowing by property companies declined.

In its latest analysis of bank lending, the Bank disclosed a £8.76bn increase in sterling borrowing by UK residents in the quarter and a £2.87bn increase in their borrowing in currencies other than sterling.

Highlighted in the report was a sharp drop to £1.55bn in the growth of sterling lending for house purchase from £2.3bn in the preceding three months. In 1989, bank lending for house purchase grew by an average £2bn per quarter.

The Bank also singled out for comment a sharp slowdown in the growth of sterling lending to property and construction companies combined. It said lending to these companies fell for the fifth successive quarter and grew at a 24 per cent annual rate against 52 per cent 12 months before.

Lending in sterling to property companies grew by £1.33bn in the three months to the end of August against £1.68bn in the preceding three months and a recent high of £2.3bn in the three months to the end of February. However, this trend was partly offset by a £207m jump in foreign currency lending to this sector in the latest three months.

Sterling lending to the construction sector also increased to £580m from £269m in quarter to the end of May, but was well below the £915m of sterling lending recorded in the three months to February. The latest figures also showed a drop of £19m in lending in foreign currencies to the construction sector against £295m of new foreign currency lending in the preceding three months.

The Bank said total lending to manufacturing industry grew by £1.2bn, or 2 per cent, compared with the quarter ending in May.

UK retail banks were the only group to increase their overall lending significantly in the three months, lifting it to a total of £244bn from £239bn at the end of May.

Courts criticised over poll tax 'bottlenecks'

By John Authers

LOCAL government finance officers yesterday criticised the legal system for creating "bottlenecks and inconsistent procedures" which have held back collection of the poll tax.

Local authorities in England and Wales had a 16 per cent shortfall on their expected collection targets at the end of September – only 2 per cent better than at the end of July, according to a report by the Institute of Revenues Rating and Valuation (IRRV).

The report claims the average community charge payment could increase by £40 next year if there is a 10 per cent shortfall in collection by the end of this year.

Of the 102 local authorities surveyed by the institute, which represents officials involved in poll tax collection, 33 said they were unable to get sufficient courts for the number of summonses required.

Mr Colin Farrington, director of the institute, said: "The government must take some initiative to ease the growing problem in the courts.

"Magistrates' courts are 80 per cent funded by central government and they must not evade their responsibility."

The courts also came under attack from the National Council for Civil Liberties and the Haldane Society of Socialist Lawyers yesterday. They called for all poll tax non-payment cases to be suspended. They accused the courts of "breaching the law by denying defendants the right to assistance from a friend in court". The IRRV identified other problems with collection, noting teething trouble with computer software impeded 35 of the authorities.

Capping has also affected payment. One capped inner-London borough has collected only 25 per cent of its target.

In Avon, which was also capped, Bristol has only collected 58 per cent of its expected income, and almost a quarter of chargepayers in North Avon have still to pay their first instalment.

An average of 10 per cent of chargepayers have still not paid anything, according to the report. Almost half of the authorities have borrowed to maintain their cash flow.

Coal dispute deadline is extended

By Juliet Sychrava

NATIONAL Power, the electricity generator, yesterday failed to settle a long dispute over coal prices with the South Wales Small Mines Association.

The dispute centres on claims by the mineowners that they have been the victim of unfair pricing by National Power. They want the company to raise the price it pays for their coal.

The latest round of negotiations with National Power began after the association took its case to the European Court of Justice in August and demanded compensation from the power company.

The two sides yesterday agreed to continue the search for a compromise and set a new deadline of October 26.

The disagreement over prices could complicate the planned privatisation of National Power in February, according to Mr Rhodri Morgan, a Labour Party energy spokesman. He is concerned about the legal status of National Power's supply contract with British Coal, and warned that it could jeopardise the contracts National Power has with the regional electricity companies.

"The deal they have stitched up between British Coal and National Power is starting to unravel before our very eyes," Mr Morgan said.

Electricity companies predict £320m dividend

By Clare Pearson

THE REGIONAL electricity companies have agreed a collective dividend forecast in their flotation prospectus of about £320m for the first year after privatisation.

The figure is significantly higher than expected and looks like a triumph for the government in what was one of the most sensitive areas of its negotiation with the companies.

The dividend level is a key factor in the pricing of the shares and the figure implies higher proceeds from the flotation, scheduled for next month, than most recent expectations. That should make it more likely that the government will opt to sell 100 per cent of the companies rather than a smaller proportion.

Current expectations are that the shares will yield between 7.5 per cent and 8.5 per cent. With the total dividend payment settled at £320m, this indicates total equity proceeds from a 100 per cent sale of the 12 companies of between £5bn and £5.7bn.

Earlier this week negotiators were indicating that the government had been hoping to achieve a combined figure no higher than £310m while the companies' initial negotiating position was £275m.

The government appears to have achieved the increase over £310m partly by reaching an agreement with National Grid, the electricity transmission company owned jointly by the 12 regional electricity companies, that it would increase its own dividends. The higher payout to the regional companies improves their ability to pay dividends.

The government is also thought to have slightly reduced the level of debt with which some of the companies were to have entered the private sector, thus reducing their interest charges and leaving them more resources.

NEWS IN BRIEF

Managing director quits Ford

MR ROGER HUMM, managing director of Ford of Britain for the past four years, left the company yesterday. Ford said Mr Humm, 53, was to resign at the end of the year but had been granted leave of absence until that time "and will relinquish his executive responsibilities as managing director of Ford Motor Company immediately".

It said Mr Humm intended "to pursue other business interests". A successor would be announced "as soon as possible".

Ozone threat worse

THE THINNING of the ozone layer over the Antarctic is much worse than anticipated and could reach record levels this year according to the latest findings of American and British scientists.

The depletion of ozone over the south pole reached a low point for the year on Thursday, the US National Aeronautics and Space Administration (Nasa) and the National Oceanic and Atmospheric Administration said yesterday.

The depletion was almost as severe as the record levels recorded in 1987, Nasa said.

The findings confirm reports by the British Antarctic Survey, which said tests last Sunday at the Halley Station in Antarctica showed depletion at 65 per cent.

Friends of the Earth, the environment group, said the findings underlined the need for an early ban on all ozone depleting chemicals.

Kawasaki-BAe deal

BRITISH Aerospace yesterday signed a Y8.3bn (£32.5m) contract with Kawasaki Heavy Industries of Japan for Kawasaki to supply 400 fuselage parts for the A321 made by the Airbus Industrie European aircraft consortium.

Kawasaki will start manufacturing the parts at its unit in Gifu prefecture in Tokyo by the end of November, and ship them in October 1991.

Shares warning

THE Consumers' Association says new systems for the electronic transfer of shares could lead to heavy and unjustified charges on private investors.

French connection in advertising plan

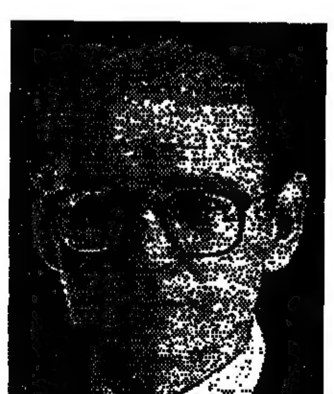
By Alice Rawsthorn

THE AMBITIOUS French advertising agency, Boulet Dru Dupuy Petit, is believed to be backing a new British agency formed by Mr Paul Bainsfair and Mr Dave Trott, two leading figures in the London advertising industry.

Mr Bainsfair this week resigned as joint chief executive and managing director of Saatchi & Saatchi, the UK's biggest single advertising agency. He is leaving Saatchi to set up his own agency.

Mr Trott was dismissed as creative director of Gold Greenlees Trott, the agency he founded, earlier this summer after a boardroom dispute. He has since discussed launching a new venture with a number of potential partners.

The two men are understood to be completing plans to set up a business together and they are expected to announce details of their new venture next week. Mr Bainsfair yesterday declined to comment.



Dave Trott (left) and Paul Bainsfair: understood to be completing plans to set up a business together

Mr Trott is known to have approached a number of French advertising groups to provide financial backing for his new agency. BDDP, which is eager to expand its UK advertising interests, is believed to be investing in the venture.

BDDP is one of the fastest-growing advertising groups in Europe.

Since its formation six years ago it has become one of the top five French agencies. It first surfaced in the UK last year, when it staged an unsuccessful bid for Boase Massimi Pollitt, the large London agency eventually bought by Omnicom, the US marketing group.

BDDP has since expanded rapidly elsewhere in Europe. Earlier this year it acquired a sizeable minority holding in Wells Rich Greene, a leading New York agency. It also holds a minority stake in Broad Street, the UK public relations group.

Mr Jean-Claude Boulet, BDDP's chairman, has made no secret of his intention to expand its advertising activities in the UK, which is the largest advertising market in Europe.

UK NEWS – THE CONSERVATIVES AT BOURNEMOUTH

SKETCH

Sluggish dealing in ministerial currencies

TRADING in Tory careers within the new Electoral Rating Mechanism has been sluggish this week. Dealings have reflected the perception that almost all the Conservative ministerial currencies have been devalued by inflation in the short-term, even if in the longer-term they may still be firm.

In spite of a rally by the Thatcher yesterday afternoon, tradeable values have not been as high in the past few days, as had been forecast after the close of dealing last week. The rating of some currencies varied more widely than had been expected within the ERM, with the suggestion that one or two ministers may have to leave even the wide band which permits their personal support to vary by up to 6 per cent.

The Parkinson ended the week well down on its peak of two years ago. There is now some doubt if it can remain within the mechanism. On past performance its continued participation could require substantial intervention.

Within the wide band, the position of the MacGregor has fallen, as has the Howe. The Waddington, which has done particularly well in the domestic market, and the Lilley have improved. The Lilley had not been a strongly-traded currency before this week but is now expected to be a good long-term prospect.

Thin trading on the floor in Lamonts has been contrasted with signs of behind-the-scenes dealings in the grey market. There has been speculation that a forecast rise in Lamonts will be accompanied by a decline in Clarkes, Mellors and Howards. Analysts also suggest that the Baker may be oversold. Although the Baker is increasingly a petro-currency, it now has little movement independent of the Thatcher.

There was strong trading in the Heseltine at the start of the week but its rate has fallen since earlier this year, when it was probably at its highest since 1986. Its future in the ERM can be compared with the linkage between the British and German currencies as expressed by Mr Nicholas Ridley: "The pound and the Deutschmark will never have a stable relationship."

Outside the ERM itself, is the Ridley, or "hard ecu". Not really in circulation, the Ridley is still seen by some as likely to be an increasingly common currency in Britain as European economic and monetary union develops.

But the most significant development was the sharing up of all the currencies by eastern Europe on Thursday. Analysts have pointed to the fundamental strengths which have enabled eastern Europe to come through so many difficult years.

In contrast, on the basis of this week's trading, the market seems to believe that the ERM currencies will need to demonstrate greater stability and soundness if they are to stop their fifteen-month slide.

Alison Smith

Prime time: Mrs Thatcher acknowledges the applause from the conference given in a nine-minute standing ovation

PRIME MINISTER'S SPEECH

Thatcher's 'more-of-the-same' promise delights Tory faithful

Reports by
Philip Stephens
Ivo Dawnay
Ivor Owen
Ralph Atkins
Alison Smith
Emma Tucker
Picture by
Alan Harper

FURTHER income tax cuts and privatisation, and sustained opposition to a federal Europe were among the continuing policy objectives identified by Mrs Margaret Thatcher as she envisaged a fourth term as prime minister.

While unable to allay all the anxieties expressed by the rank and file, the prime minister clearly impressed them with her refusal to be daunted by the earlier announcement that inflation had reached 10.9 per cent or Labour's declared intention to make education a key election issue.

Mrs Thatcher's "more-of-the-same" prescription was rewarded with the customary standing ovation – halted by the party managers after a little over nine minutes, about a minute short of that she received at Blackpool last year.

She promised that income tax would be cut again as soon as it was "safe" to do so and confirmed that the "major ports" and British Rail would be privatised – "with more to come". More privatisation would lead to a further expansion in the number of shareholders, which was still "not good enough".

Mrs Thatcher seized on the re-emergence of a united Germany to reaffirm her faith in the nation state and to voice again suspicions of developments which could lead to a more powerful role for the institutions of the European Community. To applause, she insisted: "Europe cannot be built by ignoring or suppressing the sense of nationhood, by trying to turn us into regions rather than nations."

Mrs Thatcher said the way forward lay in "willing co-operation" between independent sovereign states – and the test of "how European" they were was not how much support was given to increasing the power of the unelected European Commission. "Intervention, centralisation and *lack of accountability* may appeal to socialists. They have no place in our Conservative philosophy," she said.

While undertaking that the government would continue to resist unnecessary regulation, the prime minister stressed: "When rules have been agreed, our fellow members of the European Community will find that Britain has the best record for implementing them openly and honestly."

To further applause she emphasised: "But – and it is a crucial but – we shall never accept the approach of those who want to see the EC as a means of removing our ability to govern ourselves as an independent nation."

The British parliament had endured for 700 years and had been a "beacon of hope to the peoples of Europe in their darkest days". Mrs Thatcher said the government's aim was to see Europe become the greatest practical expression of political and economic liberty, the world over.

She claimed that sterling's entry into the exchange rate mechanism of the European Monetary System earlier in the week had been consistent with the government's commitment that the step would only be taken when its policies of firm financial discipline were seen to be working.

While inflation had risen to 10.9 per cent, it would "soon begin to decline". There were clear signs that policies to bring down inflationary pressure were succeeding and that monetary growth was back within its limits. It was this which had allowed interest rates to be reduced to 14 per cent.

Mrs Thatcher illustrated the underlying strength of industry by highlighting a recent survey which showed that of the 50 most successful European countries 28 were British, while eight were French and two German.

In a scornful dismissal of Labour's challenge to make education a key election issue, Mrs Thatcher defined the Government's policy as "choice, high standards and better teachers", and gave a hint that further consideration was being given to the introduction of a voucher system to aid parents who sent their children to fee-paying schools.

However, there was only hesitant applause when she contended that if education was Labour's chosen battleground, the Conservative party had no need to fear the result.

Dealing with the crisis in the Gulf, she endorsed the pledges given by Mr Douglas Hurd, foreign secretary, and Mr Tom King, defence secretary, that "Saddam Hussein will be forced to disgorge Kuwait".

Baker makes appeal for young voters

MR KENNETH Baker, Tory party chairman, provided a pre-prandial warm-up for the prime minister yesterday with a speech bashing the BBC and Labour and predicting a fourth term in government for the Conservatives.

Mr Baker said the Conservatives had to make a special appeal to young people, with more than 3m first-time voters expected at the next election. "They want better opportunities for jobs, for homes and for leisure but they are also concerned about those who are less fortunate, and about the future of our planet," he said.

He called for more women and members of ethnic minorities to be selected as Conservative candidates.

His speech – intended to build party morale at the end of what could have been the last conference before the next general election – drew heavily on the lessons of eastern Europe for those seeking to defeat socialism.

"They have fought for their freedom. It required great courage but they had the strength to succeed. Their fight is our fight."

Mr Baker said Mr Neil Kinnock, the Labour leader, was trying to persuade people that his party had really changed. "Nothing could be further from the truth. Last week, the grassroots of his party rebelled against the Kinnock line on defence, public spending, the selection of MPs and electoral reform."

He attacked the BBC for running a programme on Conservative party finances on the eve of its conference and for failing to publish a poll showing almost 80 per cent of Conservative candidates thought that he and Mrs Margaret Thatcher was doing a good job.

Earlier, Mr Jeffrey Archer, the novelist and former Conservative MP, had condemned backbench Tory MPs "in smoke-filled rooms" who debated the future leadership of the party. "Heaven knows, it is hard enough to win the public relations battle without a group of people from our own side who are working part-time for the Labour party," he said.

Familiar chords provide an hour of certainty

Philip Stephens on a party looking to the future over its right shoulder

THERE was no doubt about the message. Nor about the applause. After 15 years Mrs Margaret Thatcher makes rousing the activists look effortless. Never mind that her speech went through about 20 drafts as half-a-dozen helpers spent their nights and days this week reworking, refining, polishing, every phrase and sentence.

For the party faithful, Mrs Thatcher provided an hour of certainty in a politically uncertain world. The traditional notes – *freedom, responsibility, opportunity, leadership* – struck the familiar chords. The prime minister will lead the Conservatives into the next election and her supporters know what she stands for.

The foreboding among members of the Cabinet that the west now faces the prospect of an inevitably brutal, bloody and quite probably prolonged conflict in the Gulf had not permeated the ranks of conference representatives. They chose instead to celebrate Mrs Thatcher's role in the liberation of eastern Europe.

The party, however, is not that certain. This week's Bournemouth conference has shown how difficult it is for a government and prime minister to look fresh after 11 years. An agenda for the 1990s promising tax cuts, privatisation, and the spread of home ownership has not persuaded many of Mrs Thatcher's colleagues that they will catch the popular mood.

Nor, in spite of the reassuring words offered by Mr John Major, were her ministers fully convinced that the economy will turn around soon enough to re-establish the trend of rising living standards. In the background, is a growing fear that the poll tax will again wreak havoc in next year's local elections. The its-a-june-election club has one or two founder members but few queuing at its doors.

The only talk of a leadership challenge came from speakers exhorting others not to discuss it. The conventional wisdom even among the prime minister's political enemies is that the Gulf crisis has guaranteed her tenure.

Those around her, however, are quietly setting out their own stalls for the day after the next general election when Mrs Thatcher does finally retire to Dulwich. The consensus is that if she wins, that might be a year or two later. If she loses it would be a matter of weeks.

So if the pretenders are resigned to an election manifesto framed around the Thatcherite truths of the 1980s, they are beginning to offer a rather different agenda for the government that might follow.

Mr Major is the strongest, if the most publicly diffident, candidate. His success in persuading Mrs Thatcher to take sterling into the EMS exchange rate mechanism was seen by many as marking his coming of age as chancellor. His speech, intensely political in its reassurance, was the first, sketchy, draft of a personal manifesto which will seek to entrench support for Conservatives among the less affluent.

Mr Michael Heseltine, Mr Chris Patten, and Mr Kenneth Baker in their different ways confirmed their own hopes this week. And if Mr Douglas Hurd considers himself too old, then he demonstrated also that he has the quiet authority to influence the shape and style of post-Thatcherite Toryism.

Though he was drowned out by Mr Nicholas Ridley's dire warnings on the dangers of creeping federalism, Mr Heseltine offered the most distinctive alternative. His brand of what might be termed free-market interventionism coupled with a much more positive commitment to Europe would mark a decisive break with the past.

Others would build on the past. Mr Baker, whose fortunes are linked inextricably to the result of the election, would emphasise the continuity while adding more public spending to the mix. Mr Patten, now persuaded of the virtue of market forces and the absolute need to defeat inflation, would twin them with committed greenery and a much better resourced education system.

For the next six months, however, Mrs Thatcher's colleagues will be setting themselves more modest targets. They will be seeking to ensure that the ministerial groups charged with shaping the manifesto put her basic principles into a softer, more 1990s, focus. They will also aim to find enough common ground to ensure the main decisions on Europe's future are deferred until after the election.

It will not be easy. As one member of her government commented, the government's problem is that it is "looking to the future over its right shoulder".

BBC

Call to end 'deplorable left-wing bias'

THE BBC, described by one speaker as a socialist institution riddled with left-wing activists, came under heavy attack from representatives in Bournemouth yesterday.

Mr Danny Dougherty said: "The left-wing bias of the BBC is deplorable. They don't only oppose our party or our government but they even seem to oppose our country."

Councillor Dave Beck, said that the "Bolshevik Broadcasting Corporation" had the unique right to attack all that he believed in and "take the funds from my wallet".

However, Mr David Mellor, the arts minister, pointed out that many people in Britain did not share the conference's views on the BBC's alleged bias. He cited a survey which found that 27 per cent of people thought the BBC was biased in favour of the Conservative party while only 8 per cent thought it unfairly pro-Labour.

Speaking afterwards Mr Mellor said that amendments to the Broadcasting Bill would mean that impartiality should apply to the major issues, rather than the "little strands", of political debate.

In his speech he said: "Let me make clear that impartiality rules are a framework for fairness not a straitjacket of oppression.

He added that the government would not end the television licence fee without considering all the alternatives.

Labour attacks attitude to inflation

MR John Cunningham, Labour's campaign co-ordinator, said the prime minister's speech was "limp" with no references to improving economic performance, education, training, or public services.

He accused her of "breath-taking complacency" in dismissing 10.9% inflation.

Inflation had been the Tories' economic priority, but was now virtually ignored, he said.

He added: "Mrs Thatcher's speech showed a prime minister who is completely out of touch with people's problems."

EMPLOYMENT

Engineers set to reject BT's pay offer, say regions

By **Diane Summers**, Labour Staff

BRITISH TELECOM engineers could reject a 10 per cent pay offer linked to shift pattern reforms, despite a strong recommendation from the leadership of the National Communications Union to accept, branch officials in a number of regions warned yesterday.

The result of a national ballot of branches is due on Monday. Mr Tony Young, NCU general secretary, has said he is convinced the offer is the best that can be achieved through negotiation and that rejection could mean industrial action.

BT's offer to its 140,000 engineers was conditional on acceptance of flexible shift working to enable hours to be matched more closely to customer needs. The reforms have been sought by BT for some time and were agreed to in principle by the union as part of last year's pay deal.

Mr Richard Allen, secretary of the NCU's west Midlands district council, said the deal would be rejected across the country. His area took in 16 branches and the vast majority had cast a no vote. "The executive has totally misjudged the feeling of the membership – and that's putting it mildly," said Mr Allen.

Branches in his area are opposed, in particular, to the proposed shiftworking arrangements which will mean a loss of overtime payments. There is also suspicion of a "co-operation" clause in the draft agreement. "This year's co-operation clause is next year's agreement on changes in conditions," he said.

Proposals for direct recruitment from outside BT to the highest skilled grade was also resented, said Mr Allen.

Mr Mark Chilvers, assistant secretary of the south-west London branch, which has also rejected the deal, said many engineers working the new shifts would lose between £2,000 and £3,000 a year in overtime payments. "The executive has badly misread the mood," he said. The vast majority of other London branches are also thought to have voted no in the ballot.

In Glasgow, Mr Charlie Love, a national executive member and local branch chair, forecast substantial acceptance of the 10 per cent deal by the clerical group of the union – a section that would be largely unaffected by the shift pattern changes. However, he thought the vote within the engineering group could go either way.

If the vote on Monday was against, the union would have to reject the deal "otherwise it would tear itself apart," said Mr Love.

Prosecution in Channel tunnel death

By **Diane Summers**

CHANNEL tunnel contractors are to be prosecuted by the Health and Safety Executive over the fourth of seven deaths during construction on the English side of the project.

The five Translink Joint Venture companies facing charges are Balfour Beatty Construction, Costain Civil Engineering, Tarmac Construction, Taylor Woodrow Construction and Wimpey Major Projects.

The prosecutions follow an HSE investigation into the death of Mr Keith Lynch, a grouter, on January 10. He was killed at the tunnel boring machine in the marine running tunnel south. The companies face one charge each of failing under the 1974 Health and Safety at Work Act to ensure the safety of Mr Lynch, to be heard before Dover and East Kent magistrates on December 12.

The contractors also face a court hearing on October 24, postponed from an earlier date, arising from the third tunnel death. Mr Garry Woodward was killed in October 1989, in the tunnel boring machine. Although there have been three previous safety prosecutions, the case will be the first to be directly linked to a tunnel death.

The supplier of one of the two types of tunnel boring machines on the project, Robbins-Markham Joint Venture, is also being prosecuted.

Teachers' pay shortfall forecast

By **Norma Cohen**, Education Correspondent

THE GOVERNMENT has refused to guarantee full funding of a teachers' pay agreement for next year, even if the package falls within limits set by the Education Secretary earlier this year, Labour's shadow education minister has charged.

Mr Jack Straw said hard pressed local authorities would have to pick up any shortfall. Mr Straw said that in an exchange of letters, Mr John MacGregor, education secretary, stopped short of any guarantee that sufficient funds would be provided for a pay settlement which fell within the median for private sector white collar workers.

Other government ministers have also declined to provide firm commitments to fund pay packages for other public sector employees.

"Mr MacGregor has refused to say that he will meet the full cost of the teachers pay settlement for next year," said Mr Straw. "Hard pressed local authorities will be forced to contribute in a desperate battle to recruit and retain teachers next year."

Instead, Mr MacGregor said that recommendations on teachers pay made by the Interim Advisory Committee would be taken into account when spending for local authorities is distributed for the 1991/92 pay year. The IAC will be recommending a teachers' pay package again next year, before full restoration of teachers' negotiating rights in 1992/93.

● A strike ballot of polytechnic and higher education college lecturers over a 9.6 per cent pay offer covering 17 months will open on Monday, their union said yesterday, writes Lisa Wood.

Natfhe, the lecturers union, said negotiations with the Polytechnics and Colleges Employers Forum, the employers' body, broke down on September 28, after rejection of the offer.

Backing will be sought for a national one-day strike and a series of local stoppages.

A pay settlement last year was resolved, after a bitter dispute, at the Advisory, Conciliation and Arbitration Service.

FPA debates public service strike ban

By **Michael Smith**, Labour Correspondent

THE Federation of Professional Associations – the white collar wing of the EETPU electricians' union – will this weekend debate whether to support a ban on strikes by workers in "essential, emergency and caring services".

The Ministry of Defence Staff Association is asking delegates at the FPA's first annual conference to back a motion saying workers in those services should be obliged to settle differences through binding arbitration.

Support for a ban on strikes is relatively rare among trade unionists. Some may see an FPA vote in favour of the motion as an abandonment of traditional union principles.

The FPA was formed at the beginning of this year after other unions decided to join the EETPU following its expulsion from the Trades Union Congress two years ago. It has about 40,000 members, and groups together organisations including the Institute of Journalists, the Prison Service Union and the National Association of Fire Officers.

Mr John Wilks, general secretary of MoDSA, said yesterday that his association was set up nine years ago by former members of the CPSA and IMPS unions, in part because of their opposition to strikes in public services.

"When public service unions take on the state, free democratic society is threatened," he said.

● The threat of further unofficial strike action by offshore workers is being lifted in anticipation of an official strike ballot, says Mr Ronnie McDonald, chairman of the Offshore Industry Liaison Committee.

Mr McDonald, who organised the unofficial stoppages which affected maintenance work on the North Sea, said: "There will be no more wildcat action this side of the strike ballot – which we expect to go ahead."

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A short honeymoon

THE INITIAL euphoria following Britain's entry into the exchange rate mechanism of the European Monetary System lasted the weekend. The government achieved an impressive political feat – news of falling mortgage rates at the Conservative party conference. But the initial increases in share prices and the value of sterling were not maintained. The short-term prospects for the economy look no better than they did a week ago, while the room for further interest rate cuts appears limited.

The idea that ERM entry would make it easier for the government to manoeuvre the economy into an election-winning state has proved to be fool's gold. The economic merit of entering ERM at a high rate is that it constrains the possibility of engineering a pre-election boom. Last weekend's celebrations will become a distant memory as the economy adjusts to the new realities of economic life.

The government's "window of opportunity" for lower interest rates and an election victory appears to have been boarded up. Some Conservatives hoped (and some analysts argued) that the interest differential between British and German short-term interest rates would prove irresistibly attractive for short-term investors. Following entry, sterling would quickly rise to the top of its band, which would allow further interest rate cuts in the run-up to the election.

In reality, after rising to DM3.05, sterling has since hovered around DM3, ironically the very rate unofficially targeted by Nigel Lawson back in 1987 and early 1988. With the effective lower band for sterling currently at about DM2.87, the permitted depreciation of sterling over the next 12 months would be about 4 per cent. This balances the 4½ per cent differential between British and German short-term interest rates almost exactly. There may be little pressure to lower interest rates, therefore, and considerable risk to the credibility of the government's ERM commitment in attempting to do so.

Undesirable cut

A further cut in interest rates would, in any case, be undesirable. The headline inflation rate for the year to August showed an increase of 10.9 per cent. More importantly, the increase in retail prices excluding housing costs was 8.1 per cent, compared to 7.6 per cent in the year to July. Producer prices rose 2.2 per cent in September alone, an increase that will eventually feed through into retail prices.

After an initial jump of 75 points on the day of entry, the FT-SE 100 index closed yesterday 2 per cent down on last week's close. Share prices have fallen predominantly among export-orientated companies, which will bear the brunt of the recession over the coming months.

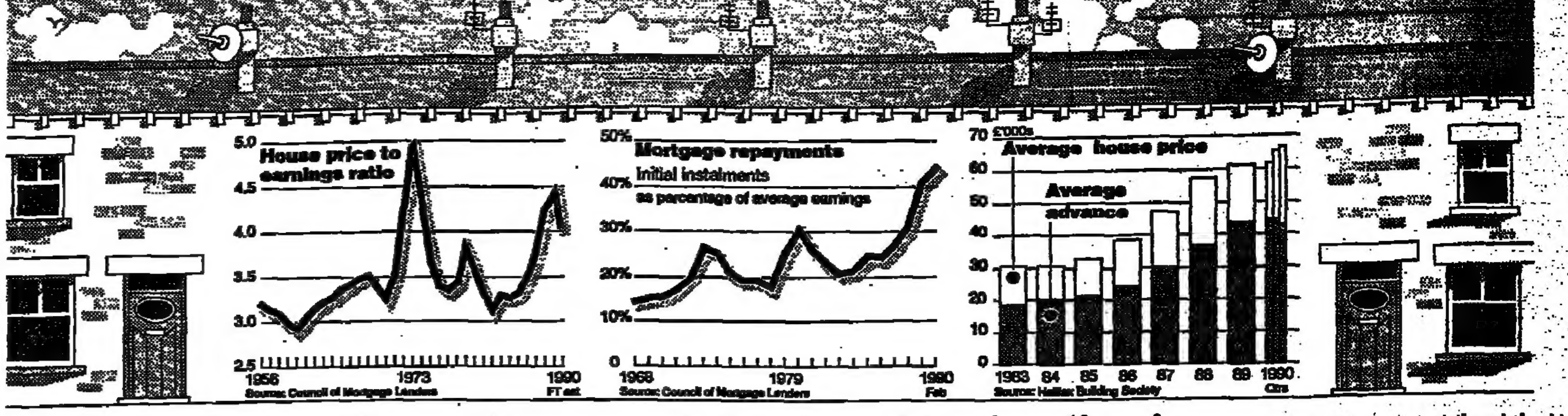
The extent to which the current exchange rate is uncompetitive remains a matter of debate. What is beyond doubt is that it will become less competitive over the coming year, at least unless there is a large recovery in the US dollar. Moreover, since sterling was last on a nominal exchange rate of DM3, British unit labour costs have increased by about 10 percentage points more than those in Germany.

Cost pressures

If these cost pressures are not reduced soon, many companies will go bankrupt, ultimately reducing inflation via a recession in those parts of the economy most vulnerable to international competition. Foreign investors may come to doubt the willingness of the government to stand the strain and question the commitment to the exchange rate target. If so, the government could be faced with the unthinkable prospect of having to raise interest rates in the run-up to the election.

A fall in world interest rates is unlikely to come to the government's rescue. Whatever US budget deal is finally reached, the US will be selling bonds on international capital markets in even greater numbers than before, forcing up long-term interest rates. Moreover, there is likely to be little room for lower short-term rates. The governor of the Bank of Japan seems to be in no mood to reduce Japanese short-term interest rates, despite signs that that Japanese land prices are finally starting to fall. Nor is the Bundesbank – now effectively the UK's domestic central bank – likely to cut interest rates while German growth remains so strong.

To the uncertainties of an economy entering a recession and a new exchange rate system at the same time, should be added the possibility of large increases in oil prices following war in the Gulf. Given the government's correct decision to enter the ERM on a high rate, the scope for further interest rate cuts is likely to prove small, at least until underlying inflation has fallen substantially and a recession is clearly in progress. Mr Major re-stated his commitment to reducing inflation this week in Bournemouth. The test of his resolve may begin sooner than some hoped.



Barry Riley considers the wider implications of Britain's entry into the exchange rate mechanism on its depressed housing market

Measure falls short of raising the roof

A surge of excitement vibrated through the housing market last weekend in the wake of the 1 per cent cut in interest rates which sweetened Britain's entry to the exchange rate mechanism of the European Monetary System.

The previously mostly deserted offices of estate agents saw a revival of activity. Traffic picked up through the show homes of residential construction sites, where recently developers have been forced to resort to a variety of special offers in order to arouse a flicker of interest from the apprehensive public.

In an uncharacteristic fit of enthusiasm the Halifax, Britain's largest building society, published full-page advertisements showing roofs being raised in celebration.

Lenders rushed to follow chancellor Mr John Major's lead. Halifax cut its mortgage rate from 15.4 to 14.5 per cent, and among the clearing banks Barclays moved down by 0.95 of a point to 14.75 per cent.

At the Conservative party conference in Bournemouth Mr Major endeavoured to build on the weekend's initiative by promising Tory delegates that falling inflation would be paralleled by "prudent" interest rate cuts next year, in the run-up to the general election.

He seemed to be setting the scene for a strong revival in the housing market, which could be a crucial element in the Conservatives' electoral fortunes. The party has long regarded home ownership as a crucial vote-winner, a theme that was extended at the conference through proposals to liven up flagging sales of council houses by devising a rents-to-mortgages swap.

For the housing market the UK's agreement to tie sterling to the D-mark raises a huge question mark over the future availability of credit

But the ERM is not simply a device for cutting interest rates. It is a framework which imposes an external discipline on monetary policy. For the housing market the UK's agreement to tie its currency to the Deutschemark raises an enormous question mark over the future availability of credit.

The financial numbers are large. There are almost exactly 15m owner-occupied houses in Great Britain (two-thirds of the total housing stock). According to the Halifax the average house was worth £66,381 last month so the aggregate value is a nice round £1,000bn. Loans totalling some £270bn are secured on these homes.

The central problem is this. When a house is sold its new owners take out a two-thirds mortgage on average. But the existing loan, to be repaid, will typically only be 27 per cent of the sale value (or nil for new homes, which account for between 10 per cent and 15 per cent of deals). So in a reasonably active year when there are, say, 1.5m transactions in the housing market the net requirement for new loans will be more than £40bn.

This figure makes no allowance for a return to the active conditions of 1988, when more than 1.6m mortgages were granted. Nor does it allow for increases in house prices, although Halifax forecast this week that values might rise by about 5 per cent by the end of next year.

In buoyant conditions the volume of net new lending would quickly climb to £50bn or more. Much of this, as in 1988, would leak out into general spending through so-called equity withdrawal, which happens when old people trade down in retirement or pass property to their children on death, or when younger people borrow more than they strictly need when moving from one house to another.

The housing market thus became the main engine of the current burst of inflation, which reached 10.9 per cent in September. If the ERM is to prove an effective anti-inflationary factor it must somehow prevent the same thing happening again.

In fact peak net advances of £40.3bn in 1988 tailed away to £33.7bn as the market slumped in 1989. But the figure has stabilised even in the depressed conditions of 1990 so far, and the challenge is that the housing market needs a huge continual injection of new credit even to sustain the existing level of prices, let alone to support a recovery.

As it is, prices have almost held their own. The national average standardised price fall of almost 2 per cent year-on-year was reduced to ½ per cent in September according to Halifax.

The national average disguises some wide regional variations. In London the apocryphal view is that values have fallen by some 20 to 30 per cent compared with the peak prices paid in the summer of 1988. That is not quite substantiated by the Halifax figures, which suggest a 10 per cent fall in prices in Greater London, although they confirm a 20 per cent setback in East Anglia where the 1988 bubble was probably the most extreme.

The further north you go, however, the better the picture looks. Scotland was slow to respond to the boom of the late 1980s but it has missed the subsequent agony too. Nominal prices have climbed in Scotland by 31 per cent over the past two years.

Buoyancy in the north has meant that national house prices still appear high on the basis of the most popular yardstick, the ratio to national average earnings, even though pay levels are rising at 10 per cent a year and are thus fast catching up on almost stationary property values.

Over the long run when the ratio has hit 3 (which it was close to in the early 1980s) houses have proved to be cheap and 3.5 is a fair average. But the ratio topped 4.5 at one time in 1989, and it is still probably above 4.

Some housing economists argue that the more generous lending policies of mortgage institutions following deregulation will justify a permanently higher ratio. For instance, banks and building societies will lend higher multiples of income than they used to, and will take a greater proportion of a spouse's income into account. These liberal policies have led to rising levels of arrears, however, and they may not be sustainable.

Certainly, recent buyers have been severely squeezed by the combination of big loans and high interest rates. If you take the theoretical (but not unrealistic) case of the average earner buying an average house on an average mortgage, he has this year been facing instalments of some 44 per cent of his income. Twenty years ago his mortgage would have pre-empted only 15 per cent of his pay.

It is these recent borrowers who will most heartily cheer the beginning of a fall in mortgage rates. Even a three-point cut would raise their spendable income by perhaps 15 per cent. Their morale will also be raised by the easing of the threat to house prices, which has left some buyers trapped with unrepayable mortgages – the average first-time buyer borrows 90 per cent, and therefore has no protection against a significant decline in residential property values.

But there could be big trouble ahead if a general signal goes out to the housing market that the good times are about to roll again, and that houses will once again prove the most reliable way of accumulating capital for the average British citizen.

In fact even if market activity recovers substantially it is unlikely that there will be more than a marginal pick-up in prices for the time being. There is a big overhang of new and second-hand homes readily available at current prices, or just above. The first step will be a pick-up in the volume of transactions, which for some of the big estate agency chains have fallen to half their 1988 levels.

Even that degree of recovery could provide a test. The government has given no indication that it has any plans for reforming housing finance, but by joining the ERM it has implicitly declared that it will curb credit growth to levels compatible with exchange rate stability.

Meanwhile, plenty of commentators have come up with suggestions. Some take a very broad view of the problem, arguing that a resumption of the house price spiral should be prevented by promoting the supply of new homes where it is needed by relaxing planning curbs, or by reinvigorating the private rented sector, which has dwindled to only about 10 per cent of the housing stock.

But as far as the narrow question of excessive mortgage debt is concerned there are two ways of approaching the problem, from the borrowing side or the lending side.

To cool the enthusiasm of buyers the government could:

- Phase out mortgage interest tax relief, perhaps restricting it to first-time buyers for a few years only, as they do in Germany;
- Impose capital gains tax, thus removing some of the advantages of housing as a form of investment;
- Restore something like the old Schedule "A" tax on the residential benefits enjoyed by an owner-occupier.

And to curb the lending institutions the authorities might:

- Insist on loan ceilings, although this would go against the whole philosophy of deregulation;
- Devise tougher risk co-efficients for mortgages, and bring in similar technical measures, such as restricting the right to repossess property, which would make lending less attractive;
- Seek to restrict equity withdrawal, perhaps by insisting that all borrowing on mortgage must be invested in the house, though the practicality of this is dubious.

The last point is probably the most attractive politically. If the leakage of credit out of the property market could be prevented, a smaller volume of lending would suffice to maintain the levels of deals and prices, and money would not be released to fuel an unearned spending spree.

But it is hard to imagine how a ring fence could be erected around the housing market. Ultimately it would amount to an attempt to persuade people that house prices were still buoyant but prevent them from cashing in. That sums up the problem that if house prices tumble it will be a political disaster, but if they do not there could be an economic disaster.

The traditional answer, as in the mid-1970s, has been inflation: a few years of rapid earnings growth will bring an overheated ratio of nominal house prices to earnings back to normality. In 1973 the ratio reached nearly 5, much as in 1989. But inside the ERM the target must be to bring earnings growth down to the German level of 5 per cent, thus fencing off the housing market's escape route.

Even if market activity recovers substantially it is unlikely that there will be more than a marginal pick-up in prices for the time being

Home buyers should therefore take a cautious view of the market. The Anglo-Saxon culture favours owner-occupation and tolerates the inflationary risks that it produces: the owner-occupation rate is also more than 60 per cent in the US, Canada and Australia. But participation in the ERM (let alone in eventual European Monetary Union) implies a shift towards Continental European attitudes. Indeed, it was the anti-inflationary benefits of the ERM that were being stressed by Mr John Major in his speech to the Tory party conference.

Continentals, however, regard owner-occupation as much less than a sacred cow: the rate is only 42 per cent in Germany and barely 50 per cent in France. In Bournemouth the one-point cut in mortgage rates received warm applause. But even after two years of recession the numbers in the housing market still do not add up.

MEN IN THE NEWS

Lloyd Bentsen and Dan Rostenkowski

Sovereigns in the American budget court

By Peter Riddell

The scene is like one of those paintings of a royal court where supplicants wait in an antechamber to press their suit and to waylay anyone coming from the presence of the mighty.

Gucci Gulch it was called during the long debates over the 1986 tax reform bill. The corridor outside the Senate finance committee room was full of lobbyists and lawyers with expensive suits and shoes seeking to influence decisions which could benefit or cost their clients millions, or often billions, of dollars.

It has been the same this week. The long marble corridor on the House side of the Capitol building has been filled with about 300 lobbyists and journalists (the former invariably sleeker than the latter) leaning against statues of long-dead titans of the Hill. Identifying themselves by interest group – insurance, trucking, tobacco – they wait to hear what is going on in the nearby room where the ways and means committee prepares its plan to solve the US budget crisis.

There goes Richard Darman, the budget director who has been heavily blamed for the current mess, looking even more smugly like Mr Toad than usual.

Information is at premium. There is a whisper – correct as it turns out – that the committee is preparing a bare-bones package stripped of most revenue losers and leaving tricky capital gains and income tax decisions to the floor of the House next week. The news travels along the corridor, each lobbyist calculating what it might mean. Will indirect taxes be raised? What will happen to the growth incentives? Everyone has an interest.

These, generally young, lawyers and assistants hanging around the corridors are the advanced guard of vast lobbying efforts, often headed by former administration members and congressmen.

Their current target is the sovereigns of these courts – Senator Lloyd Bentsen and Congressman Dan Rostenkowski, the Democratic chairmen of the tax-writing Senate finance and house ways and means committees.

Senator Bentsen, from rural south Texas, looks the model of a committee chairman – white-haired, courteous, sharp and tough. He is one of the few senators who can decide an issue by his own influence. A scourge of Japan on trade issues, though resisting outright protectionism, Bentsen has also been an assiduous defender of Texan oil interests.

Congressman Rostenkowski, a Polish-American, comes from the urban, ethnic wing of the Democratic party. He persuaded the late Richard Daley, then Chicago political boss and father of the current mayor, to send him to Washington in 1958. Since then he has risen steadily up the seniority ladder, chairing ways and means for nearly a decade. The bulldog-like Rostenkowski presents himself as the voice of the ordinary American. He was one of the motors behind the 1986 tax reform which eliminated many tax breaks and brought down rates. At one stage he went on television asking voters to "write Rosty". He wants to defend that legacy. Although an old friend of Mr Bush, Rostenkowski has this week been saddened by the president's confusing statements over capital gains and has been pressing his own plan to increase taxes on the well-off.

Bentsen and Rostenkowski now have a pivotal role. In this respect the US system is very different from the British one. The American separation of powers – designed as an reaction to an unchecked monarchy – means that while the executive can propose a budget, it is up to the legislature to decide. This has been reinforced by divided party control of the White House and Capitol Hill. In Britain, where the executive has to have a majority in the legislature to hold office, a budget is announced and enacted with only minor changes.

Consequently, legislative committees and lobbyists operate differently. In Britain, lobbyists concentrate on persuading the Inland Revenue and the Treasury, though occasionally MPs can be helpful in securing small amendments. In the US, where Congress substantially alters administration budgets, lobbyists work by reminding congressmen of local interests and also of who provides campaign contributions. During the passage of the 1986 tax bill lobbyists were keen attenders at $500 or $1,000 a head fund-raising parties held by Senate finance and ways and means members. The political action committees of affected companies more than doubled their support for these congressmen.

This time the action is truncated. Bentsen's office reports that the lobbying has been thin – partly because of the very short time (six days) before the bill must be enacted. The scale of the measure has also diffused the impact of particular interests. Many of the lobbyists in the corridors are seeking information rather than trying to influence. However, it is billable time, often at $500 or more an hour, and nobody wants to say he was not there.

Nothing is being left to chance. Private aircraft producers want to ensure that the efforts of Senator Robert Dole, the Republican minority leader from Kansas (the home of Cessna and Beech), in securing their exclusion from the 10 per cent luxury tax are not reversed now. They are right to be worried; private aircraft costing more than $100,000 will come within the tax net according to the ways and means plan, but not the Senate version.

By contrast, the American Trucking Association was alarmed that the original proposal to increase fuels taxes would have discriminated against them by comparison with rail. A 100-person phone bank was set up to call truckers in the districts of ways and means members. This week the committee approved an amendment applying the motor fuels tax increase to railroad fuels at a cost of $286m. But by yesterday the railroad interests were lobbying to reduce this.

These groups are competing against each other since the overall deficit reduction target is fixed. But there may always be that little bit of wriggle room to gain another concession. There is still scope for amendment on the floor of both houses. Senator Bentsen and Congressman Rostenkowski will be kept busy for several days more. The battle is not over until the president signs the budget legislation.

Saxony tunes in to a European beat

David Goodhart looks at the state elections in east Germany

The Saxons, one of the grand old tribes of Germany, are back. The people that gave Europe the Reformation, Meissen china, the music of Bach, the towns of Leipzig, Chemnitz, and Dresden – which in 1900 formed the core of Europe's most densely populated region – will tomorrow once more have their own borders.

Tomorrow's elections in what used to be East Germany will resurrect the five Länder (states) dissolved in 1952 when a centralised East Germany was created. But only in the case of Saxony, the most populous (5m) and industrialised, will a "volk" with their own history and unmistakeable accent, return to the mainstream of European culture.

The Prussians, in the north, who dominated East Germany with the Saxons, in the south, have also regained their heartland. But the Prussians were scattered throughout the old West Germany and are thus scarcely "re-emerging". Nevertheless, the modern Saxon identity, which survived 40 years of communism and is now growing stronger by the day, owes a lot to Prussian hegemony.

In the early 18th century under August the Strong, said to have fathered 250 children, the kingdom of Saxony stretched in an arc from the Netherlands to what is today the western Soviet Union. The Wettiner kings of Saxony – Germany's longest unbroken dynasty, 1089-1918 – competed with the Hohenzollern and Habsburg dynasties for cultural glory.

Later in the 18th century the Saxons developed the knack of choosing the wrong alliances and were repeatedly defeated by the Prussians. So they left the fighting to the Prussians and concentrated on business and the arts.

With its strong pre-industrial craft traditions and an abundance of coal, Saxony became a pioneer of the industrial revolution. The first German rail link was between Dresden and Leipzig and by 1882 30 per cent of the workforce was employed in the textile industry. In the second wave of industrialisation Saxony became the centre of the car and machine tool industries.

Like the Swabians further to the west, who are economically twinning themselves with the resurrected Saxon state, the Saxons were known as hard-working, inventive busy-bodies. They were also politically radical. Richard Wagner took to the barricades, alongside Bakunin, in 1849, and in the 1870s Saxony became the first heartland of social democracy. Red Saxony was voting 60 per cent Social Democrat as early as 1903 and was a communist stronghold in the 1920s and 1930s.

Saxony has remained, in a shabby east German way, an industrial centre, producing nearly a third of the ex-country's Gross National Product and preserving a chain of technical institutes. It boasts a few of the most desirable east German enterprises – the Meissen china company, and parts of the printing group Polygraph and the machine tool group Fritz Heckert – as well as some of the most undesirable, such as the brown coal and textile industries.

But its old political traditions have been wiped out by 40 years of communism far more completely than in the north of east Germany. Mrs Anke Fuchs, the west German Social Democrat, who is contesting Saxony against Professor Kurt Biedenkopf, a Christian Democrat import from west Germany, will be happy with anything over 20 per cent.

That would be an improvement on the 15 per cent the SPD won in the national East German election last March (the CDU polled 43 per cent) and would at least clearly establish the party as the opposition. Mrs Fuchs is a strong candidate but the SPD's organisation in Saxony is ramshackle: the party could not even find a candidate to stand for the post of mayor in the communal elections last May in Chemnitz.

The SPD also has no real issues. There is little that separates the two main parties on economics. Prof Biedenkopf is a liberal Christian Democrat and is prepared to be almost as interventionist as the SPD in providing Saxony the kick-start it needs in the market economy.

The SPD tries to sell itself as the "clean" party compared with the old East-CDU (now merged with the West-CDU) which supported the old regime. Mrs Fuchs says that there must be a proper reckoning with the past now, otherwise the political culture will be poisoned and the next generation will turn against its parents, as in west Germany in the 1960s.

"The trouble is almost everybody in East Germany was a fellow-traveller to some extent, so they don't really blame the petty officials of the East-CDU," says Mr Michael Scholing, an SPD official.

Mr Scholing sits in the SPD's Saxony headquarters in a small flat on a large housing estate in Dresden. By contrast Mr Albrecht Schnee, the CDU press spokesman, occupies the large offices of the old East-CDU in Dresden's main pedestrian precinct.

He, like Mrs Fuchs, talks about rooting out the old bosses, developing technical parks and a new administrative structure, and creating an economic bridge to Poland – modelled on Baden-Wuerttemberg's links with France – on Saxony's eastern border.

The Polish relationship will, however, remain difficult. Mrs Fuchs says that even SPD officials in the east of the state were reluctant to accept the Oder-Neisse line as the official border with Poland, and some of the conservative parties are still opposed to recognition.

The future economic upswing in Saxony will be led, as elsewhere, by the building industry and services. Volkswagen is investing in Zwickau and the machine-tool industry hopes to benefit from the desire of west German manufacturers to establish new suppliers. "In five years there will be a labour shortage here," says Mr Schnee.

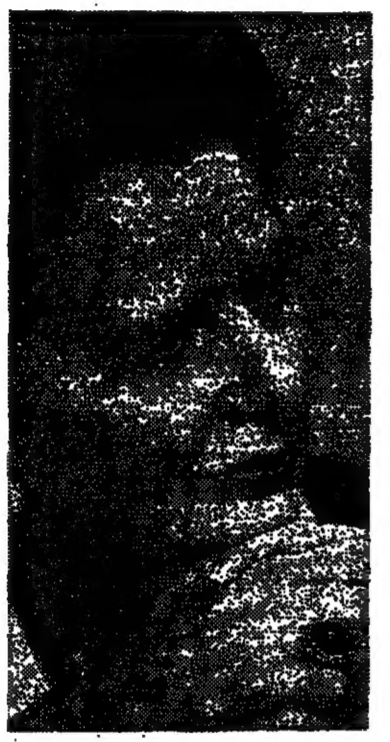
Will the Saxons, who can reasonably claim to have driven forward last year's revolution, stay politically conservative? Probably. The collapse of the old system went further in Saxony than elsewhere, so small improvements seem enormous. Also if the take-off comes soon the CDU will benefit, and if Saxony remains an economic desert people will still turn to men like Prof Biedenkopf because of their business associations.

"It's frightening how spiessig (petit bourgeois) they have become," says one SPD official. Indeed, the nasal Saxon accent, which once belonged to the most cultured of Germans, has become the handiest prop for west German comics wanting to mock everything that seems so backward about the former east Germans.

Saxony, which will become the sixth most populous state in the new Germany, will probably establish an identity as distinctive and independent as Bavaria. There are already more Saxon than German flags on the streets and plans to reduce the new Germany's 16 states to a more reasonable number in the next few years will have to leave Saxony well alone (although it is conceivable that the state could absorb its neighbour Saxony-Anhalt).

When the Saxons shake off their inferiority complex their new identity will be forged, as in the past, against the Prussians. The Saxons were as much oppressors as oppressed in the old East Germany – the Prussians called them the fifth occupying power in Berlin – but there will be an understandable tendency to blame the past 40 years on the Prussians.

Already, to the great satisfaction of the Bonn town council, the Saxons are breaking with the previous east German consensus and having second thoughts about making Prussian Berlin the seat of government of the new Germany.



Mrs Thatcher: golden oldies

It is time to change the conductor of the market economy, says **Joe Rogaly**

Too long singing the same song

Mrs Margaret Thatcher faces the first British general election of the 1990s ready to bring out her well-worn collection of golden oldies. After lunch yesterday she played her personal favourites to an audience of the middle-aged and the retired in a pensioners' sea-side resort in the south of England. It was a fitting prelude to her 65th birthday today.

The tunes were so familiar you could hum them several bars ahead of her. Taxes had been cut in the past and would be again, when it is safe. A cheeky youngster might have piped up a refrain to the effect that "when it is safe" probably means, "just before the election, I hope", just as "when the time is right" for entry into the exchange rate mechanism of the European Monetary System turns out to have meant "when I've got nowhere else to turn". Inflation would be defeated; indeed it was now set to fall. She allowed herself no discordant notes about how odd it is that it had not stayed right down last time she reduced it. The government had kept control of public finances and would continue to do so, while pensions would be indexed, as they had been in the past. This one was played fortissimo; she carefully enunciated the precise amount of the state pension next April. It must have been the sight of those grey hairs in the audience.

It was not all music. There were the snapshots. Here we are, she might have been saying as she passed the album across her knees, defeating the trade unions. Here we are, privatising industries. Rather full pages here, you'd better turn them yourself. Here is the photo showing us privatising council houses. You liked these. There are more coming – just a few if we can make them work. More ports will be privatised. British Rail will be "tackled". The really dilapidated public housing will be sold to the most sullen tenants by turning their rents into mortgages, if it can be done. We have managed to get a few schools to accept independent management; we'd better take the pictures and aim to encourage more of them to opt out.

Nor was it all pure reminiscence. She may speak with yesterday's voice, but she still likes a joke. Some of hers are good: she read out a Monty Python script quite competently, in an effort to describe the Liberal Democrats as the party of the dead parrot. Her jokes about the Labour party are culled from the best sources on the market. The only trouble is that any stand-up comic, however good her writers, cannot surprise after 15 years.

None of this is to say that Mrs Thatcher's rehearsal of very familiar themes is inevitably of no value. Some effort was made to reflect a theme of Thursday's speech by Mr John Major, the chancellor of the exchequer. Mr Major is widely regarded as the prime minister's preferred successor; he stressed his vision of a less exclusive Tory party; she, demonstrating far less conviction, spoke of "the open, classless Britain I want to see". Her talk of spelling, grammar and "doing sums" as principal aims of education policy is the most direct piece of speechwriting on how teachers should teach that any of the politicians who have recently addressed themselves to the subject have managed. Her firm approach to the Gulf crisis, with its straightforward rejection of a fudged settlement, is an echo of her approach to the Falklands campaign, but the principle, which is that aggressors should not be permitted to gain a single grain of sand, remains valid. The political gamble here is huge; for if there is a war, and it goes wrong, she will take her share of the opprobrium.

Her unequivocal declarations of little faith in a more formally unified European Community and of no faith at all in a single European currency may jar with some of us, but the party workers will like a clear lead and the point of view she expresses is not without respectable intellectual antecedents; it is merely wrong. Her monotonal insistence that the Labour party is still a collection of socialist wolves in social democratic blue suits, and her curious attempt to link the opposition with the disgraced former regimes in eastern Europe may score with some less-educated voters, but it is better taken as further evidence of the growing gap between the prime minister's instincts and the real world.

It is that gap that is the most outstanding characteristic of Conservative politics today. If you watched the TV cutaways showing her ministers sitting wooden-faced, some of them looking as if they were trying to hide their faces, you will have some of the flavour. She has recently taken to saying, as she does again in an interview in the current Newsweek, that Thatcherism is not for a decade; it is for centuries. "But 'Thatcherism' is not the right name. It is political freedom and economic freedom combined, and the will to defend both." We must hope she is right on this point, and right about the essential value of the market economy to the process.

The difficulty does not, to me, lie in these principles. Such faults as there are arise from the long duration in a powerful office of a single wilful individual whose idiosyncracies usually prevail. One of the contributors to yesterday's conference speech regarded parts of it as too banal and embarrassing to watch; another, contemplating certain paragraphs during the previous days, sighed, head in hands, as if to wonder why it had to be like this.

You could put up an argument to the effect that the market economy is not flourishing as it should because of Mrs Thatcher, rather than in spite of her. The process of curbing public expenditure is complicated by her tendency to make promises from on high to individual ministers. She recoils from applying the logic of her own stated convictions to areas of the economy in which her instincts prevent her from doing so. For example, she has vetoed road pricing, insisted on the continuation of mortgage interest tax relief, and rejected the privatisation of the Bank of England. A few conversations with ministers in relaxed conference mood provide other instances of her dogged determination that this is the way she has always sung the capitalist song, and this is the way it shall be sung. The simple truth revealed by this week's conference is that the prime minister has been there too long.

LETTERS

Former tenants' plight is not so bad

From Mr Adrian Coles.

Sir, Your editorial comment ("Wrong priorities in housing," October 11) contains a number of opinions on the desirability of extending owner-occupation beyond its current levels.

That is fair enough. However, one assertion is presented as fact.

You say: "Many former tenants are now labouring to service debts that exceed the value of their former council homes." I am not sure whether you have any evidence to back this claim, but on the face of it, it appears most unlikely.

The minimum discount to market value available to council tenants has been 32 per cent for some years. The average discount during the last two years has been 50 per cent.

Admittedly, interest rates have been high and house prices have fallen modestly in a few regions. However, the number of tenants in the situation which you described is likely to be extremely small.

Adrian Coles,
head of external relations,
The Building Societies Association,
3 Savile Row, W1

Taking care of the small fry

From Mr P.W.S. Rowland.

Sir, At TSB Group we regard our 1.5m private shareholders as an important asset to the company ("Do not neglect the small fry," October 6). Our communications with them have reflected this.

Over the four years since flotation, in addition to the statutory annual general meeting (AGM), we have held 35 regional meetings for shareholders in 15 locations throughout the UK.

We also took the initiative at our first AGM in 1987 in calling for a change in the law to allow a company to provide its shareholders with a less technical report and accounts.

We believe that the provision now contained in the 1989 Companies Act will enable companies – particularly those with very large share registers – to offer shareholders a more readable document and so improve the communication links with them.

P.W.S. Rowland,
secretary,
TSB Group,
25 Milk Street, EC2

Time for further reform

From Mr Maurice Gillibrand.

Sir, The authority of annual general meetings was established by the Limited Liability Acts of 1855 and 1862 and subsequent Companies Acts from 1862 to 1985. ("Could we have better biscuits next year," September 29).

The intention was to curb such financial excesses as had been the cause of the South Sea Bubble. The provisions appear to have been effective for many decades but it was a period when the majority of shareholders were individuals.

However, since about 1970 the majority of shares have been held by institutions. It appears that their block votes are invariably cast in support of existing management and this is the basic cause of the deterioration in the effectiveness of AGMs. This loss of accountability of management to shareholders has probably resulted in recent city scandals such as Guinness and, if so, shows that the time has come for further reform of the Companies Act.

Your article also makes reference to my nomination and election at Chloride which was overthrown by the block votes of the institutional shareholders. In my campaign to promote the interest of individual shareholders it is my intention to submit a proposal to the Trade and Industry Committee of the House of Commons, for the restoration of accountability to shareholders.

It will advocate the formation of a shareholders' committee consisting of individual shareholders, employee shareholders and representatives of institutional shareholders in equal number but with the authority to monitor the company's affairs and report independently to the AGM.

Maurice Gillibrand,
7, Tal-y-Cae,
Tregarth,
Bangor, Gwynedd

How politicians could really help the family

From Mr R.P. Lindley.

Sir, You devote a full page to inheritance tax (October 6). Indeed, the worry this tax causes is shown by the frequency with which it appears in your Briefcase column.

We have heard a great deal from politicians recently about their policies for the family. This is utter hypocrisy given their deliberate remorseless destruction, through the mechanism of inheritance tax, of private capital in favour of state institutions and corporations which never die.

The results are all around us. The centres of our towns are occupied by banks and building societies, while individuals can only afford to live in the suburbs. Shares are increasingly held by institutions rather than private individuals. The best places at sporting events are taken by recipients of "corporate hospitality".

If politicians wish to restore the standing of the family in this country, all they have to do is to reduce the level of inheritance tax from its present confiscatory level, or better still abolish it.

R.P. Lindley,
3 Molyneux Court,
Molyneux Park Road,
Tunbridge Wells, Kent

Regular gifts

From Mr C.D. Treganowan.

Sir, I was surprised that Sara Webb's otherwise excellent advice ("How to leave a tidy legacy," October 6) did not mention the exemption of regular gifts from income which do not affect the donor's standard of living. That is a sound way to avoid further accretion to one's estate, liable to 40 per cent tax on death. It is also a simple way to help one's children when they are faced with burdensome mortgages, school fees, redundancy and the like, without any clawback provisions if death of the donor occurs within seven years.

To be fair to Ms Webb, various professional tax summaries also fail to refer to that important exemption, which is a useful supplement to deeds of variation, or in lieu thereof if such deeds are excluded by future legislation.

C.D. Treganowan,
10 Garbrand Walk,
Ewell, Surrey

Sterling tinkering is no panacea

From Mr W. Simon Jacques.

Sir, Mr Douglas Jay appears to confuse causality with coincidence ("Britain's entry into the ERM," October 10).

The slump of the early 1980s was indeed preceded by a strong appreciation of sterling. However, applying this logic to sterling's fall against the D-Mark between 1985 and 1987, we should have seen a strong UK trade performance against West Germany in the late 1980s. We certainly did not.

The 1967 depreciation ensured that any future balance of payments surpluses were worth less in terms of foreign currencies. In addition, no incentive was given to the traded goods sector to reduce costs. These are the economics of depreciation. Indeed, the 1980s saw D-Mark appreciation and a huge German balance of payments surplus.

It is manifestly untrue to claim that the exchange rate is the only instrument available for curing the UK trade deficit. Higher productivity, innovation and production of desirable, high-quality products with low price elasticities are the way forward. Tinkering with sterling is no panacea for improved trade performance, as the last 20 years demonstrate. Improved economic performance must be earned through better industrial performance. It cannot be bought in the currency markets.

W. Simon Jacques.
Milton House,
Christ's Pieces,
Cambridge

An ERM rate to crucify industry

From Mr Ken Gill.

Sir, When Nigel Lawson began the pre-election "boom" in 1987, manufacturing industry could not meet home market demand. The result was successive balance of payments deficits of terrifying proportions.

Much of the reason for the deficits stemmed from the monetarist madness of Sir Geoffrey Howe in 1981 which led to 20 per cent of Britain's manufacturing industry being wiped out. Now – learning nothing from their own immediate mistakes – the new chancellor plunges Britain into the exchange rate mechanism (ERM) at a sterling rate which will widen the trade imbalance, cripple exporters and create further unemployment in manufacturing.

I am pleased that employers are now voicing their concern (Letters, October 9) at the latest government blunder. But as with the Confederation of British Industry's last-minute protest at persistent high interest rates, their voice is raised when Britain is already deep into recession.

What about sustained pressure on the government to adopt an effective industrial strategy to revitalise manufacturing industry? This union, with many others in the TUC, has continually made that call. We have argued for an effective strategy to improve training and retraining, to increase investment in new plant and technologies, and for the expansion of research and development.

The pathetic knockabout speech delivered at the Conservative Party conference by Peter Lilley, secretary of state for trade and industry, holds out little hope for a change in this direction. In the last five years we have had Tebbit, Brittan, Channon, Young and Ridley in that job. The result has been the largest balance of payments deficit in Britain's history. And this is called an economic "miracle".

The men and women who work in British industry are now to be blamed for what went wrong. If jobs are lost and firms close because of the absurdly high rate of sterling, then it will be the "greedy" employees who are held guilty. All the inflationary increases pushed through by the government – poll tax, fare increases, water, gas, and electricity price rises – are to be conveniently wiped from the record.

The government apparently believes the ERM is a substitute for an industrial strategy based on rebuilding the strength of manufacturing industry. It is not and never could be. British manufacturing industry is going to be crucified on the rate which the pound has been taken into the ERM. For the sake of a possible moment of electoral opportunity next June, the chancellor is willing to see manufacturing suffer the same sort of losses that affected it in 1982.

Ken Gill,
general secretary,
MSF,
79 Camden Road, NW1

UK COMPANY NEWS

● £28m needed to last the month ● Blade's share sales undisclosed for six weeks ● Application to hear case in chambers refused

Nadir slowly puts lifeline in place piece by piece

By David Barchard in Ankara and Richard Waters in London

POLLY PECK International told its bankers yesterday that it needed £28m to get it through the month's grace it has been granted. The banks *are not putting up any more* cash, but there were clear signs that Mr Nadir has already been able to raise some money towards achieving the target.

Bankers were told that Polly Peck had received a tested telex (that is, a payment confirmation from a bank) showing that it had received what one of those at the meeting said was "a small amount of cash, in the region of £5m". It was not clear where this money had been raised.

In addition to this, last week the group raised £5.5m when its Hong Kong subsidiary sold a 24 per cent holding in Shell Electric, a manufacturer of domestic appliances. Mr Nadir was said to have told yesterday's meeting that "the sale of other bits and pieces" would help the company through the month.

There are also signs that Polly Peck's chairman has been able to arrange bank finance from Turkey, following his trip to Istanbul earlier this week. However, it appears to be on an extremely modest scale.

Yapi ve Kredi Bankasi, Turkey's third largest private sector commercial bank, said *yesterday that it was negotiating* a one-year commercial loan to Mr Nadir, but that the deal had not yet been completed.

No figure has been given for the loan, but it is understood to be less than $20m and will be pledged against Polly Peck's assets in Turkey, including the newly opened Voyager Sheraton Hotel in Antalya.

A second Turkish private sector bank, Garanti Bankasi, said yesterday that it also was negotiating a loan to Polly Peck, but had not yet decided on whether it should go ahead. Garanti Bankasi's loan is understood to be smaller than the one from Yapi ve Kredi.

Both Garanti and Yapi ve Kredi are among the group of six or seven Turkish banks with existing exposure to Vestel Elektronik, Polly Peck International's Turkish subsidiary.

Bankers in Istanbul said they believed that there might be a third loan to Polly Peck under way from one of the larger Turkish private banks, but this could not be confirmed.

However the two largest private sector banks in the country, Iş Bankasi and Akbank, both denied that they were involved.

Iş Bankasi said yesterday it had been approached by Mr Nadir but was *not extending* funds to him. Akbank said that it had not received an approach from Polly Peck for funds.

If one was made, it would be considered on normal commercialmerits.

The modest level of funds available at this stage suggests that, come November 9, Polly Peck will once again find itself scratching to raise the cash to carry on, should the banks not call in their loans at that stage.

That is not the only problem the group faces: besides its bankers, Polly Peck also has commercial paper and bond holders to appease.

It has already defaulted on some commercial paper, while a payment to bond holders is due on November 11. These creditors will have to take the same line as the group's bankers before Polly Peck can feel secure from the threat of

Asil Nadir leaving the Accountants Hall in the City after meeting his bankers

SFO court challenge fails

MR ASIL NADIR, chairman and chief executive of Polly Peck International, yesterday failed to win his request for judicial review of the Serious Fraud Office's refusal to disclose basic details of its investigations into his affairs.

Rejecting Mr Nadir's application in the High Court Mr Justice Steyn said it would be "unworkable to impose a general duty on the director of the SFO to supply particulars if the person investigated asks for such information".

Good administration would be hindered, not promoted if the disclosure order was made, the judge said.

Lawyers for Mr Nadir said afterwards they were considering whether to appeal.

On Thursday, Mr Justice Steyn had rejected Mr Nadir's lawyer's argument that financial cases in the public eye should be heard in secret simply because they involved "commercially sensitive" issues.

Mr Edward Bannister for Mr Nadir said that the application for judicial review be heard in chambers because of the important financial implications of the Polly Peck affair. He added that the judge had complete discretion as to whether to sit in open court or in chambers.

However Mr Justice Steyn said: "The background to the matter is that courts of law ought in general to sit in open court unless there are compelling reasons to the contrary."

If he had thought that an open court hearing might prejudice a future criminal trial, he might have made an order restricting publicity under the 1981 Contempt of Court Act. But there were no criminal charges at the moment and there was nothing to indicate they were imminent.

The fact that the case involved a commercially sensitive matter was "an inadequate basis" for holding a hearing in chambers.

"I cannot shut my eyes to the fact that there has been an immense amount of publicity already," he added.

Swiss share deals to be investigated

By Richard Donkin

RHONE FINANCE, the Geneva-based financial and administrative services company, is appointing accountants to carry out an independent review of its work in relation to recent share transactions in Polly Peck.

Staff at the company had handled several share transactions on behalf of three unnamed clients.

Mr Roger Hunziker, chairman, said in a statement: "The sole purpose of this independent review is to establish whether or not Rhone Finance, its directors and its staff fulfilled their duties and obligations correctly and properly when carrying out the administrative work in connection with these transactions and that there was no wrong-doing."

The company's name emerged more than a week ago when Mr Ian McNeil, its managing director, filed a late declaration to the Stock Exchange of share sales in Polly Peck worth nearly £2m.

The trades, through a company called Blade Explorations on behalf of a Mr Behçet Ali, had remained undisclosed, in breach of Takeover Panel rules, for six weeks until they were uncovered by the Panel. The Panel had been scrutinising share deals carried out over the five-day period in August after the board had announced a buy-out approach from Mr Asil Nadir.

Takeover rules state that during a formal bid period all deals by anyone holding more than 1 per cent of the company should be disclosed within a day of their being carried out.

Before the trades Blade held a stake of more than 1 per cent, at the time worth about £18m. Some of the other transactions carried out by Rhone staff were also said to have been during the bid period.

Rhone Finance, which provides administration services for offshore clients, said that the board had called the review to "dispel any further innuendos".

Mr Hunziker, who is well known in the Swiss financial community having a private bank, Banque Hunziker, said yesterday that the findings of the review would be announced publicly subject to the requirements of client confidentiality.

He is a former director of the Swiss arm of Rawlinson and Hunter, the accountancy company which handles Nadir family business. But he said he left about three years ago before the firm took on the Nadir business. "I didn't even know the man Asil Nadir until a month ago."

Mr Roger Leopard, an associate of Rhone living in France but involved in the running of the company, was also said in the company statement to have welcomed the review.

Mr McNeil, who earlier denied knowing Mr Jason Davies, one of the individuals at the centre of a Serious Fraud Office investigation into a possible share support operation at Polly Peck, has now admitted that he met Mr Davies on one occasion but had no business contact.

Geers Gross defies market sector with doubled profits

By Alice Rawsthorn

GEERS Gross, the advertising agency, has bucked the slump in the marketing services sector by almost doubling pre-tax profits from £161,000 to £317,000 in the first six months of the year despite a fall in turnover.

The board proposed an interim dividend of 1p. Geers Gross has not paid an interim dividend for two years after falling into heavy losses in the late 1980s.

However, Mr Bob Gross, chairman, said that before the dividend could be formally declared, the company had to gain High Court approval for a reduction in the share capital of of its subsidiary, Geers Gross Advertising.

The shares rose by 2p to 24p on the announcement.

Mr Gross attributed the increase in profits to a change in commercial strategy and tighter financial controls. "We are really terrific," he said.

The company's turnover fell to £17.67m (£18.14m). However the growth in pre-tax profits fuelled an increase in earnings per share to 2.09p (1.06p). Geers Gross did not pay any tax in the first half.

Over the past year Geers Gross has broadened the base of its business by diversifying into other areas of marketing services in addition to advertising. Mr Gross said these new areas now provide about 30 per cent of revenue.

He said the group had also benefited from a change in remuneration policy away from commission, the traditional method of payment in the advertising industry, towards fees.

Mr Gross anticipated further growth in the second half – despite the dramatic downturn in the advertising market – because of the contribution from extra business for existing clients such as General Accident, Royal Doulton and L'Oréal.

Geers Gross ended the first half with surplus cash. However Mr Gross said it did not envisage making any acquisitions in the foreseeable future unless "other agencies go to the wall and there are bargains around".

Caird defence held up until next week

By Andrew Bolger

CAIRD GROUP, the waste disposal company, has been granted more time to prepare its defence document against the hostile £78m cash takeover bid which Severn Trent, the privatised water company, launched last month.

Severn Trent's offer is conditional on Caird again confirming its forecast that it would make pre-tax profits of £5.5m in the 18 months to December 31.

KPMG Peat Marwick McLintock, Caird's auditor, is preparing a report on the profits outlook and the value of its landfill sites. The defence document, which should have been sent out today, is expected by the middle of next week.

Caird's ordinary shares yesterday closed unchanged at 91½p, well below Severn's offer of 100p. However, the preference shares were unchanged at 61p, just above the offer of 60.3p.

Slingsby downturn

HC Slingsby, the truck and ladder manufacturer, improved turnover from £5.3m to £5.8m in the first half of 1990, but saw pre-tax profit slip from £291,000 to £272,000.

The interim dividend is maintained at 2p from earnings of 17.5p (18.8p).

Trading conditions continued to be very competitive, the directors said

Raglan Property falls £13.4m into the red

By Richard Gourlay

RAGLAN PROPERTY Trust, a property development and investment company, yesterday announced a £13.4m pre-tax loss for the year ended March 1990 and a slide in its net asset value from £19.7m to £5.7m. Profits in the previous year were £1.51m.

The company said it had recently agreed a refinancing package with its four banks *which will ensure continued* support until October 1991, but includes a specific programme of debt reduction.

Turnover increased to £12.5m (£11.83m) but the cost of sales was £13.95m against £10m. Accordingly, Raglan incurred a trading loss of £1.5m, compared with profits of £1.8m and, in addition, there was an exceptional write off of £11.5m from the value of properties. Mr David Smith, the finance director, said the £11.5m took full provision of the way the company saw the property market developing over the next 12 to 15 months.

The loss per share was 7.6p (earnings of 0.67p) and no dividend is proposed.

Mr Charles Cecil, Raglan's chairman, blamed higher interest rates, an absence of institutional buyers for developments and investments, a slow down in demand for retail space and high interest rates for the decline in the property market in 1990.

Interest charges over the period rose 50 per cent to £150,000. At year-end Raglan's debt stood at £15.9m, compared with £7m. Mr Cecil said that since the year-end Raglan had sold or agreed to sell development and investment properties that will yield about £7.3m.

Libyan deal for Lasmo

LASMO, the UK independent oil company, is to begin oil exploration in Libya next year in a consortium with a number of South Korean partners, writes Steven Butler.

The deal appears to be the first time a Western oil company has re-entered Libya since 1986, when a US presidential order banned US oil companies from activities there.

It is part of a growing trend in which members of the Organisation of Petroleum Exporting Countries are inviting foreign companies to participate in oil exploration and production.

Lasmo will operate and hold a 50 per cent interest in the venture, which includes onshore and offshore exploration acreage. Mr Chris Greentree, Lasmo's chief executive, said the exploration blocks offered "a range of promising exploration plays in basins of proven significant petroleum potential."

Helene achieves 17% rise

HELENE, maker of fashion wear and textile merchant, increased its pre-tax profit by 17 per cent in the first half of 1990, but cannot make a firm prediction on the important final quarter.

Mr Monty Burkeman, chairman, said sales in the quarter to September kept pace with last year's record figures, but there was now evidence of some slowing down.

The final quarter included the Christmas season, he pointed out.

In the half year turnover rose 21 per cent to £32.63m (£26.91m) and pre-tax profit moved up from £1.63m to £1.92m.

Earnings per share came to 2.02p (1.8p) and the interim dividend is 0.65p on capital increased by the July rights issue (0.61p).

There was an extraordinary charge of £141,000 for professional costs on uncompleted acquisitions.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Geers Gross ....int	1◆	Jan 4	nil	-	1
Helene ....int	0.65†	Dec 31	0.61	-	1.97
Johnston Group ....int	4.5	Dec 12	4	-	13
New Ireland ....int	5♣	Nov 9	3	-	10.23
OEM ....int	0.1	Dec 13	0.1	-	0.1
Raglan Property ....fin	nil	-	0.165	nil	0.165
Slingsby (HC) ....int	2	Jan 2	2	-	7.5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency. ◆Subject to High Court approval of subsidiary's capital reduction.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	131	90	ABI Leisure 10p	98		R4.7	3.3	6.4	6.4
180	F.P.	-	198	170	Faber Prest	175		9.1	3.7	6.9	5.2
2	F.P.	-	4½	3	Finlan Group 1p	3½		-	-	-	-
†	F.P.	-	75	43	Golden Vale Ir1p	45		u0.158%	5.1	3.5	8.2
-	F.P.	-	24	19	JF Fledgeling Jap. Wnts	19		-	-	-	-
100	F.P.	-	98	75	Jupiter Euro Inv Trust	75	-2	-	-	-	-
-	F.P.	-	38	21	Do. Warrants	23		-	-	-	-
§108	F.P.	-	116	101	‡Lowercrest 5p	102		R4.05	2.4	5.3	8.2
-	F.P.	-	22	20	‡MMI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	-	17	10½	‡Paramount 2½p	10½		-	-	-	-
†	F.P.	-	53	40	‡Pelican 20p	41	+1	-	-	-	-
100	F.P.	-	90	83	River & Merc Smaller Co	89	+1	K3.75	-	5.6	-
-	F.P.	-	26	18	Do. Warrants	23		-	-	-	-
§100	F.P.	-	102	88	Siam Select. Growth Tst.	89		-	-	-	-
-	F.P.	-	38	28	Do. Warrants	29		-	-	-	-
§100	F.P.	-	96	93	Smaller Co's Inv Tst 50p	93		-	-	-	-
-	F.P.	-	23	21	Do. Warrants	21	-2	-	-	-	-
225	F.P.	-	245	208	‡Standard Platform 10p	220		-	-	-	-
100	F.P.	-	102	93	TR European Growth Tst	93		K1.0	-	1.4	-
40	F.P.	-	43	38	Do. Ptg Sub. 1p	41		F1.0	-	3.3	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	-	101	75	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	75	
100p	F.P.	28/9	102p	93p	Perkins Foods 8p (Net) Cv Rd Pf	98p	
‡	F.P.	-	90p	75p	Rank Org. 8.25p (Net) Cv Cm Rd Pf 20p	86p	-1
100p	F.P.	-	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	118p	-½
100	F.P.	-	110½	101¼	Tesco Capital 9pc Cnv. Cap. Bd. 2005	107½	-¼
100p	Nil	-	¼pm	¼pm	Wace Grp. new 8pc Cnv. Pf. £1	¼pm	
100p	F.P.	-	105p	50p	Wyndham Group 9.375pc Cm.Pf	50p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
25	Nil	-	¼pm	¼pm	‡ATA Selection	¼pm	
1b	Nil	-	2pm	½pm	Greenwich Resources A 5p	½pm	
50	Nil	-	2¼pm	¼pm	Kynoch (G & G)	1¼pm	
220	55	23/7	90	33	Ratners	46	-2
180	Nil	-	25pm	25pm	Sinclair (Wm.) Hldgs	25pm	
250	Nil	-	25pm	10pm	‡Wyevale Garden Cntrs. 50p	10pm	-5

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. o Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. ‡ Issued in connection with reorganisation, merger or takeover.

TRADITIONAL OPTIONS

● First Dealings Oct. 15
● Last Dealings Oct. 26
● Last Declarations Jan. 24
● For settlement Feb. 4

For rate indications see end of London Share Service

Calls in Aviva Pet., Brent Walker, Gaelic Res., STC, Pentland, Richmond Oil & Gas and Saatchi. Puts in Monarch Res. and Saatchi.

First taste of a sweeter life after four years of siege

Maggie Urry speaks to Dominic Cadbury about the sale of General Cinema's stake in his group

MR DOMINIC Cadbury, chief executive of the confectionery and soft drinks company which bears his family name, might be forgiven for leaning back in his chair and breathing a sigh of relief this weekend.

On Tuesday General Cinema, the US cinema and retail group, sold its stake in Cadbury Schweppes. The sale – a placing among institutional investors – ends almost four years of near-siege for Cadbury.

At its peak, the stake amounted to 18.4 per cent of Cadbury. At its worst General Cinema seemed to be either a predator itself or to be trying to flush out a bid from elsewhere.

The fact that General Cinema has placed the stake rather than sold it as a block to another company, might seem to give Mr Cadbury even better reason for relaxing.

But he claims that no player in the highly competitive world of soft drinks and sweets can stop for a moment. When the competition is Coca-Cola and Pepsi, Mars and Nestlé, he says: "The management style required for success does not allow people to hang around."

Mr Cadbury agrees that General Cinema's presence on the share register was a distraction, and much management time and company money was spent on discussing possible defence tactics with bankers and lawyers in the UK and US.

But he maintains that General Cinema's shareholding did not affect the way the company was run. "People will say 'He would say that, wouldn't he?', but I am quite satisfied in my own mind that it did not make the slightest difference. We have not allowed that exceptional shareholder to bias us in how we run the business."

General Cinema was sometimes a disruptive shareholder – for example, blocking a resolution to increase the group's borrowing powers thereby forcing *a special meeting of shareholders*. And it seems that whenever a decision was being taken at a Cadbury board meeting the question was asked: "*Will this increase our vulnerability to a bid?*".

Sir James Blyth, chief executive of Boots, the retail and pharmaceutical group, has been a non-executive director of Cadbury for four years, joining shortly before General Cinema took its stake. Although constantly aware of the large shareholder, he says: "I cannot remember a single decision we took where the deciding factor was the presence of General Cinema."

Mr Cadbury says it was important when General Cinema appeared on the share register – the first notification was in January 1987 which was followed up by a dawn raid in November that year – that the group did not enter any discussions with the new shareholder, beyond what would be normal with any other investor. "We did not enable them to become involved in any way in the management of the business," he explains.

General Cinema's interest was not the first spark to takeover talk surrounding Cadbury, which had been watching its shareholder list closely, especially after a fall in profits in 1985.

Considered a rather dull company in the 1970s, Cadbury had attempted to sharpen up its act. One move was the 1978 acquisition of Peter Paul, a US confectionery group, taking it into a new market. But in 1985 Peter Paul suffered a loss, pulling down group pre-tax profits from £124m in 1984 to £93.3m in 1985.

From the outside it looks as though the appearance of General Cinema as a shareholder began a period of rapid acquisitions by Cadbury. But Mr Cadbury denies a causal link. He says the group's strategy goes back to 1984 – he became chief executive late in 1983 – when Cadbury decided to focus on its two mainstream businesses; confectionery and soft drinks. "The strategy was well developed and agreed before General Cinema's presence," he adds.

Supporting his claim are the sales of two non-mainstream businesses, Jeyes, the hygiene company, and Premier Brands, the Typhoo Tea and Chivers jams group, in 1985 and 1986.

The US confectionery problem was dealt with in 1988 by selling the manufacturing capacity and setting up franchise arrangements for the brands.

Acquisitions in the two core areas were another part of the strategy. The purchase in 1986 of Canada Dry, the soft drinks business, preceded the General Cinema share purchase.

Making acquisitions is a classic corporate defence against a possible predator, trying to make the target too large a mouthful. Issuing shares to make bids can dilute the large stakeholder, and running up debt can make a group less attractive. Mr Cadbury is sure that neither the speed nor the direction of the acquisition plan was affected by the arrival of General Cinema.

Cadbury appears to have been on a buying spree – in 1989 alone it spent £700m on acquisitions – but Mr Cadbury does not regret any of the deals the group has done. However he admits that, given the number of acquisitions the group has made, "there are instances where not everything has gone as well as it could have done".

"We were highly sensitive to any charge that any deal could be a poison pill," says Mr Cadbury. One instance was the formation in 1987 of a joint venture, Coca-Cola & Schweppes Beverages, which includes the group's UK soft drinks activities and has, by all accounts, proved a success.

The CCSB partnership agreement includes clauses covering the change of control of the parents – and some say that it gives Coca-Cola advantageous terms to take control of CCSB which might put off a bidder for Cadbury. Mr Cadbury denies that the terms are unusually generous to the US company. "We bent over backwards to ensure that the CCSB partnership agreement could not be construed as a poison pill."

There were some deals which Cadbury did not do. Most significantly were talks of a merger with Jacobs Suchard, the confectionery and coffee company. When Nestlé bought Rowntree, a sizeable consolidation in the European confectionery market, Cadbury had discussions with Suchard.

These came to nothing, but that was not because of fear of opposition from General Cinema, Mr Cadbury says, simply that talks never got that far.

Nor does Mr Cadbury think that the General Cinema block was a problem when it came to funding takeovers. Indeed, the takeover speculation pushed up Cadbury's shares, making them a stronger currency to do deals with. "It certainly did not harm our share price," Mr Cadbury admits.

He does not think that General Cinema would have been an obstacle to holding a rights issue, though earlier this year the group launched a preference share issue in North America. "Hypothetically there would be more of a problem had we wanted to do a really major rights issue – there would always have been the thought 'how will General Cinema react?'. It may not have reacted as a conventional shareholder."

Since Mr Cadbury says General Cinema's presence made no difference to the way the company was run, it follows, he says, that the group's strategy will now continue as before.

He agrees that a large part of the group's profit growth in recent years has come through acquisition and these look likely to continue.

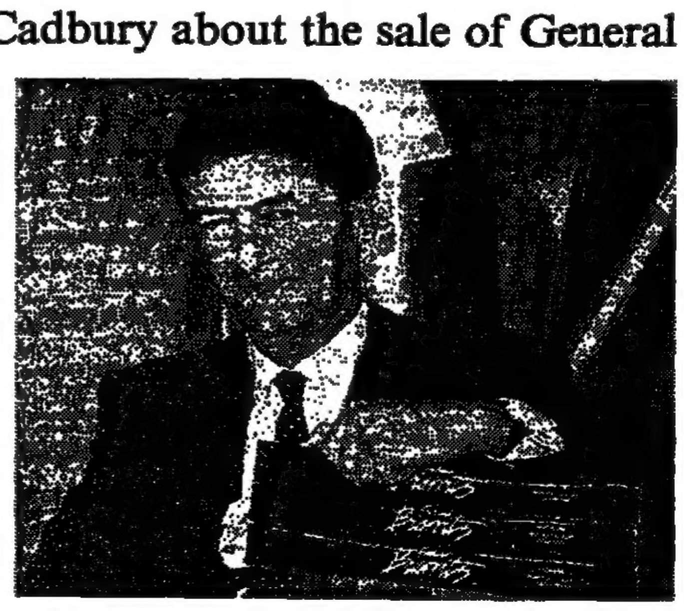
This is likely to mean a continuing high level of debt – gearing was 62 per cent in the last balance sheet and is unlikely to come down this year, or further share issues. Another preference issue is rumoured.

Cadbury is keen to build a European-wide confectionery business as well as continuing to exploit the fast growing market for soft drinks in Europe and getting larger in the US.

The first of these raises intriguing questions. Philip Morris, the giant consumer goods group, acquired Suchard this summer, ostensibly interested in its coffee business. Suchard has said that its confectionery side is too small without acquisitions.

Will Philip Morris decide to develop Suchard's chocolate business itself, competing with Cadbury for acquisitions? Or could Cadbury now buy Suchard's confectionery activities from Philip Morris and tie up its European ambitions in one deal costing, perhaps, £1.25bn?

Mr Cadbury will not be drawn on that one.



Dominic Cadbury: we weren't biased in how we ran the business

RESULTS RECORD

Year to Dec 31	1984	1985	1986	1987	1988	1989
Pre-tax profit (£m)	124.0	93.3	130.7	176.1	215.7	251.0
Earnings per share (p)	15.65	9.31	14.28	19.05	23.47	24.89

ECONOMIC DIARY

TODAY: Deadline for claims from dispossessed owners of properties in the eastern half of Germany. Bucharest international trade fair opens. Mr Douglas Hurd, foreign secretary, visits Egypt.

TOMORROW: National savings (September). Establishment of five new federal states in former East Germany, elections to set up state legislatures. Mr F.W. de Klerk, South African president, meets Mrs Margaret Thatcher, prime minister. Greek municipal elections.

MONDAY: CBI/FT survey of distributive trades (September). Retail sales (September-provisional). US business inventories for August. European Community Industry council meets in Luxembourg. Start of two-day meeting of the European Commmunity agriculture council in Luxembourg. New economic plan on transfer to market economy to be presented to the USSR parliament. Financial Times conference on product strategies for the 90s in London. International Coffee Organisation holds talks in Moscow on expanding coffee trade with eastern European nations.

TUESDAY: Index of output of the production industries (August). Public sector borrowing requirement (September). Second session of talks between North and South Korean prime ministers. French parliament debates budget. South African Conservative Party national congress

WEDNESDAY: US housing starts for September; Industrial production. European Community economic and social affairs ministers meet in Brussels.

THURSDAY: Labour market statistics: unemployment and unfilled vacancies (September-provisional); average earnings indices (August-provisional) employment, hours, productivity and unit wage costs; industrial disputes. Provisional figures of vehicle production (September). Institutional investment (second quarter). London and Scottish banks monthly statement (September). Provisional estimates of monetary aggregates (September). US consumer price index (September); merchandise trade (August) and real earnings (September).

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Friday October 12 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Thu Oct 11 Index No.	Wed Oct 10 Index No.	Tue Oct 9 Index No.	Year ago (approx) Index No.	1990 High		1990 Low		Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (196)	710.48	+0.3	15.63	6.69	7.82	31.33	708.45	710.14	717.08	896.14	960.80	4/1	658.43	24/9	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (26)	965.19	-0.8	15.20	6.31	8.10	39.70	973.04	972.83	987.75	1031.95	1188.21	3/1	812.99	20/9	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (35)	1160.22	+0.3	17.55	6.87	7.44	56.07	1156.91	1152.71	1167.14	1425.76	1621.44	4/1	993.11	24/9	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	1879.75	-0.4	14.96	7.16	8.18	84.91	1887.63	1921.38	1934.71	2572.80	2751.15	4/1	1805.83	24/9	3040.80 8/9/89	84.71 25/6/62
5	Electronics (26)	1543.70	-0.8	10.89	5.55	12.56	56.74	1556.63	1558.19	1560.45	2011.03	2044.72	9/1	1486.79	24/9	2308.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (8)	407.04	+0.3	16.56	5.93	7.26	15.17	405.80	409.58	412.63	0.00	502.42	13/6	399.79	24/9	502.42 13/6/90	399.79 24/9/90
7	Engineering-General (47)	365.56	-0.5	16.39	7.10	7.34	16.85	367.26	369.71	376.38	0.00	505.10	15/6	361.71	28/9	505.10 15/6/90	361.71 28/9/90
8	Metals and Metal Forming (8)	405.98	-0.3	28.07	8.23	4.34	17.02	407.09	407.53	410.14	461.32	515.57	4/1	384.09	24/9	596.67 9/10/87	49.65 6/1/75
9	Motors (13)	274.87	+1.6	18.59	8.64	6.26	14.41	270.42	267.60	271.17	359.33	403.90	4/1	260.41	24/9	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (23)	1191.10	+2.3	14.14	6.85	8.17	60.14	1164.02	1168.83	1166.84	1680.40	1774.64	3/1	1105.20	20/9	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (176)	1189.31	+0.1	10.39	4.33	11.88	30.57	1188.28	1197.04	1200.43	1268.44	1357.03	3/1	1121.42	24/9	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (22)	1483.23	+0.4	10.55	3.98	11.48	33.61	1476.83	1487.77	1503.29	1451.79	1650.55	20/7	1369.31	6/3	1650.55 20/7/90	69.47 13/12/74
25	Food Manufacturing (18)	1012.28	+0.5	11.47	4.82	10.75	28.13	1007.32	1007.27	1011.39	1136.83	1184.41	3/1	959.38	24/9	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (17)	2346.45	-0.3	10.17	3.56	12.52	50.82	2352.61	2365.31	2380.22	2363.49	2617.14	27/7	2188.04	30/4	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (16)	2377.35	+0.3	7.44	3.13	15.89	48.83	2370.19	2417.17	2395.16	2463.66	2795.49	4/1	2166.10	24/8	2795.49 4/1/90	175.38 28/5/80
29	Leisure (32)	1205.90	-0.1	12.42	5.22	9.74	39.79	1207.33	1210.88	1211.34	1631.12	1717.22	9/1	1117.43	24/9	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (12)	486.17	.....	13.24	7.16	9.28	22.95	486.38	485.54	492.95	545.05	625.01	17/7	470.91	28/9	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (14)	2764.54	-2.0	12.98	6.77	9.65	124.64	2819.63	2845.42	2870.34	3495.30	3853.61	4/1	2764.16	28/9	3070.66 5/10/87	55.08 6/1/75
34	Stores (33)	805.18	+0.1	10.04	4.62	11.89	18.58	804.31	805.88	807.45	778.96	866.32	13/6	690.43	27/4	1160.58 29/7/87	52.63 6/1/75
35	Textiles (12)	407.25	-0.5	14.66	8.72	8.65	20.31	409.32	405.95	409.37	522.87	554.37	4/1	388.59	24/9	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (107)	973.55	.....	12.99	6.03	9.34	32.00	973.52	979.67	991.69	1144.77	1233.52	3/1	932.53	24/9	1233.52 3/1/90	58.63 6/1/75
41	Agencies (16)	1017.96	+0.6	10.67	3.26	11.37	22.25	1011.52	1040.19	1023.97	1532.61	1757.73	15/6	1011.52	11/10	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (24)	989.93	+0.1	13.42	6.74	8.80	46.81	988.66	992.92	996.27	1213.25	1335.87	14/6	940.57	24/9	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (15)	1311.91	+0.3	12.94	7.63	9.31	38.45	1308.59	1318.34	1332.12	1598.02	1722.31	14/6	1234.77	28/9	1819.46 11/8/89	975.19 10/11/87
44	Transport (14)	1883.42	-0.3	12.89	5.57	9.83	65.20	1889.14	1891.61	1910.94	2198.29	2458.00	4/1	1740.24	28/9	2564.69 12/7/89	90.80 29/6/62
46	Telephone Networks (3)	1087.20	+0.3	12.04	5.03	10.82	26.09	1083.90	1099.88	1120.20	1137.40	1290.72	3/1	1017.41	26/9	1290.72 3/1/90	517.92 30/11/84
47	Water (10)	1964.67	+0.3	15.49	6.89	7.27	68.12	1958.76	1944.39	1932.40	0.00	2079.08	16/2	1820.20	1/5	2079.08 16/2/90	1820.20 1/5/90
48	Miscellaneous (25)	1494.06	-1.1	14.02	6.09	8.19	61.49	1511.31	1502.13	1552.39	1911.16	1981.35	3/1	1445.37	24/9	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (479)	1007.05	+0.1	12.34	5.37	9.92	32.22	1006.00	1011.98	1019.33	1151.78	1234.94	3/1	950.55	24/9	1279.71 5/9/89	59.01 13/12/74
51	Oil & Gas (21)	2376.76	-0.9	9.42	5.25	13.87	85.44	2398.58	2415.13	2407.80	2206.27	2528.70	3/8	2131.34	30/4	2528.70 3/8/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1118.78	.....	11.88	5.35	10.39	36.51	1119.44	1126.27	1132.58	1240.40	1338.65	3/1	1068.52	28/9	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (103)	691.19	.....	–	6.88	–	31.79	691.42	700.54	707.93	760.01	869.67	3/1	621.68	24/9	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	733.09	-0.8	22.32	7.86	5.87	42.00	738.85	749.10	766.39	763.46	918.30	2/2	650.43	24/9	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1311.69	-0.5	–	5.85	–	54.97	1318.84	1360.39	1376.54	1207.39	1519.19	29/6	1220.17	1/5	1519.19 29/6/90	44.88 2/1/75
66	Insurance (Composite) (6)	606.33	+0.3	–	7.00	–	27.35	604.34	616.87	620.59	642.50	763.09	2/1	526.46	24/9	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (8)	787.35	-0.8	9.59	8.16	13.62	41.94	793.76	784.91	784.94	1008.26	1194.74	4/1	757.70	24/9	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	354.73	-0.6	–	5.77	–	12.75	356.75	358.00	356.13	405.95	502.02	8/2	319.38	24/9	547.59 12/10/87	31.21 7/1/75
69	Property (45)	926.43	+2.0	8.15	5.26	16.20	25.08	908.61	907.74	899.54	1196.45	1242.53	4/1	824.72	24/9	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (21)	245.60	.....	11.52	7.11	11.27	11.62	245.69	246.65	249.13	336.30	350.59	4/1	232.78	1/10	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (66)	985.15	.....	–	4.01	–	25.03	985.40	991.19	1003.30	1223.33	1323.81	4/1	954.21	28/9	1323.81 4/1/90	71.12 13/12/74
91	Overseas Traders (5)	1129.11	-2.2	12.67	8.17	9.40	59.65	1154.03	1163.20	1168.85	1339.27	1614.04	3/1	1079.53	24/9	1614.04 3/1/90	97.37 6/1/75
99	ALL-SHARE INDEX (674)	1013.31	-0.1	–	5.55	–	34.93	1013.99	1021.20	1027.82	1124.57	1226.83	3/1	962.09	24/9	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 11	Oct 10	Oct 9	Oct 8	Oct 5	Year ago	1990 High		1990 Low		Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2100.4	-1.8	2106.9	2089.3	2102.2	2121.8	2134.1	2201.6	2143.9	2233.9	2463.7	3/1	1990.2	28/9	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Oct 12	Day's change %	Thu Oct 11	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	117.92	+0.11	117.79	–	9.97
2	5-15 years	123.30	+0.11	123.25	0.08	10.68
3	Over 15 years	123.79	+0.16	123.60	–	9.84
4	Irredeemables	142.60	+0.08	142.48	–	8.85
5	All stocks	123.39	+0.11	123.30	0.04	10.46
	Index-Linked					
6	Up to 5 years	154.11	+0.12	153.93	–	3.04
7	Over 5 years	138.27	-0.18	138.53	–	3.12
8	All stocks	139.35	-0.16	139.57	–	3.11
9	Debentures & Loans	101.87	-0.05	101.92	–	9.20
10	Preference	72.99	-0.19	73.12	–	5.35

	AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 12	Thu Oct 11	Year ago (approx.)	1990 High		1990 Low	
	British Government								
1	Low	5 years	10.79	10.78	10.45	12.36	2/5	10.16	2/1
2	Coupons	15 years	10.79	10.78	9.73	11.94	30/4	9.58	2/1
3		25 years	10.79	10.78	9.58	11.85	30/4	9.52	2/1
4	Medium	5 years	11.52	11.52	11.25	13.58	2/5	11.03	2/1
5	Coupons	15 years	11.27	11.28	10.10	12.45	27/4	9.97	2/1
6		25 years	11.12	11.13	9.70	11.98	27/4	9.65	2/1
7	High	5 years	11.62	11.62	11.37	13.67	2/5	11.17	2/1
8	Coupons	15 years	11.49	11.50	10.32	12.76	27/4	10.17	2/1
9		25 years	11.39	11.39	9.86	12.27	27/4	9.78	2/1
10	Irredeemables†		10.96	10.96	9.63	11.83	30/4	9.66	4/1
	Index-Linked								
11	Inflation rate 5%	Up to 5yrs.	4.22	4.00	4.10	5.48	20/7	3.46	5/10
12	Inflation rate 5%	Over 5 yrs.	4.39	4.34	3.73	4.39	12/10	3.60	4/1
13	Inflation rate 10%	Up to 5 yrs.	2.92	2.86	3.20	4.37	9/7	2.32	5/10
14	Inflation rate 10%	Over 5 yrs.	4.19	4.16	3.55	4.20	27/9	3.43	4/1
15	Debs &	5 years	14.23	13.99	13.41	16.70	30/4	13.01	15/1
16	Loans	15 years	12.76	12.74	12.49	14.48	26/4	12.27	12/1
17		25 years	12.35	12.35	11.83	13.89	4/5	11.99	2/1
18	Preference†		12.98	12.95	10.54	13.13	5/10	10.87	2/1

‡Opening index 2091.0; 9 am 2095.4; 10 am 2094.3; 11 am 2091.0; Noon 2099.4; 1 pm 2101.3; 2 pm 2100.9; 2.30 pm 2105.3; 3 pm 2105.8; 4.10 pm 2097.3; (a) 2.55pm (b) 10.49am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1968.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

LONDON TRADED OPTIONS

EQUITY futures ended unchanged on the day but closed 2 per cent down on the week as the enthusiasm generated after the cut in interest rates and sterling's entry into the exchange rate mechanism of the European Monetary System began to fade.

The December FT-SE 100 index opened lower as dealers prepared for the release of the latest UK inflation figures. But in the event, they turned out to be only slightly above market expectations, and shares gradually edged off their lows.

Some institutional buying and a belief that the stockmarket will not move much below current levels helped futures edge into positive territory.

However, before the close prices drifted back to the previous session's close.

December FT-SE closed unchanged at 2,157, while its premium over the cash index widened to 60 points, from 57. Brokers estimate that the cost of finance and futures payments should put the December contract around 50 points above the spot index.

In the traded options market dealing was lifted by activity in the Euro FT-SE 100 index and a number of selected stock options. A total of 44,657 lots changed hands, up about third on the previous day, and was evenly divided between calls and puts.

The largest trade of the session came in the Euro FT-SE, where a US house was reported to have bought 2,500 of the March 2,025 puts and sold the same amount of June 2,025 puts.

In the US-style FT-SE index, turnover stood at 5,842 lots, of which 3,514 were puts and 2,328 were calls.

The October 1,950 puts were the most popular.

Among the stock options, BP was the most active as a buyer of 1,500 January 390 calls emerged. In total, 3,927 contracts changed hands.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*462)	420	44	60	75	1½	9	15
	460	9½	32	49	7½	25	30
	500	2	19	31	42	48	52
ASDA (*127)	110	18	24	28	1	3½	4
	120	8	16	20	1½	6	10
	130	2	12	15	5	11	15
Brit. Airways (*137)	130	–	18	23	–	8	12
	140	4	11	15	7	14	15
	160	1	6	10	24	27	30
SmKl Beecham A (*556)	500	58	78	92	1	9	15
	550	13	45	62	8	26	32
	600	1	22	42	42	55	62
Boots (*319)	280	39	47	57	1	5½	7
	300	19	32	43	1½	10	14
	330	2½	15	26	14	24	27
B.P. (*348)	300	49	56	63	1	4	5
	330	19	34	42	1	10	13
	360	3	18	26	15	24	27
British Steel (*125)	110	15	18	20	1	2	4
	120	5	10½	14	1½	7	8
	130	½	7	10	6½	12	13
Bass (*1036)	1000	40	82	112	7	40	47
	1050	11	57	86	25	62	72
	1100	3	35	64	67	93	100
C & Wire (*412)	390	27	48	64	3½	16	20
	420	8	30	46	16	28	34
	460	2	15	30	51	56	57
Courtaulds (*320)	300	–	37	49	–	10	16
	327	3½	–	–	11	–	–
	330	–	20	31	–	24	28
Com. Union (*475)	420	57	77	86	1	8	14
	460	17	46	56	4	15	27
	500	2	24	33	28	37	48
GKN (*308)	280	32	45	50	1½	7	14
	300	13	32	37	7	18	22
	330	3	13	22	28	30	40
Grand Met. (*560)	500	62	88	95	1½	8	15
	550	18	51	62	6	24	33
	600	2½	25	40	43	52	58
I.C.I. (*821)	800	27	74	92	7	30	50
	850	5	47	64	34	38	77
	900	2	28	42	82	87	107
Kingfisher (*376)	300	77	86	100	1	3	3
	330	47	58	77	1	5½	9
	360	17	42	56	2½	15	19
Ladbroke (*280)	260	21	36	45	2	10½	15
	280	8	21	33	8	20	25
	300	2	13	23	24	32	35
Land Secur (*505)	460	48	63	83	1½	10	14
	500	12	36	55	7	25	30
	550	1½	17	33	47	53	65
M & S (*244)	220	25	34	43	1	5	7
	240	8	21	30	3	12	13
	260	1½	11	19	17	22	24
STC (*269)	240	31	46	52	1	8	13
	260	13	34	40	2½	16	22
	280	4	23	28	14	24	31
Sainsbury (*307)	280	29	40	50	1	6	8½
	300	10	26	37	2½	12	16
	330	1	12	23	26	29	32
Shell Trans. (*455)	420	35	55	62	1	8	13
	460	4	28	37	10	18	30
	500	1	13	19	48	49	50
Storehouse (*130)	120	11	17	21	1	5½	7
	130	3	11	16	2½	10	12
	140	1	6	12	11	15	18

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Trafalgar (*211)	180	33	40	42	2	8	12
	200	15	23	32	3	17	22
	220	4	13	20	15	28	32
Utd. Biscuits (*314)	300	15	31	39	2	9	15
	330	1	15	23	20	25	29
	360	1	6	12	50	50	50
Unilever (*650)	600	52	77	97	2	16	23
	650	10	45	65	15	35	42
	700	1½	24	40	55	57	60
Ultramar (*339)	300	40	53	60	1	5	10
	330	11	33	43	3	15	19
	360	1	18	26	24	30	35
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Brit Aero (*539)	500	50	77	82	8	16	24
	550	20	45	55	30	35	43
	600	7	25	33	65	68	74
BAA (*405)	390	27	43	50	11	24	27
	420	12	30	43	25	38	40
BAT Inds (*546)	500	60	90	102	8	13	20
	550	22	55	69	23	32	37
BTR (*323)	300	29	43	49	3	9	15
	330	10	25	32	16	21	27
Brit. Telecom (*276)	260	18	30	41	4	10	12½
	280	9½	18½	30	11½	18	20½
Cadbury Sch (*310)	300	20	34	41	7	12	17
	330	6	18	25	24	29	33
Guinness (*720)	700	38	73	88	14	28	37
	750	14	46	62	42	50	58
GEC (*181)	180	9½	16	23	7	12½	15½
	200	2½	8	13	22	25	28
Hanson (*189)	180	15	18½	24	3	8½	10
	200	4	8½	14½	12½	21	21
LASMO (*456)	433	37	45	57	18	25	33
	460	20	45	57	18	25	33
P & O. (*533)	500	45	70	75	10	17	25
	550	12	38	45	30	37	47
Pilkington (*153)	140	18	22	28	2½	8	11
	160	5½	11	18	12	18	20
Polly Peck (*#108)	–	–	–	–	–	–	–
Prudential (*204)	200	15	23	25	5	10	13
	220	4	12	17	18	19	24
Racal (*148)	140	15	23	30	7	10	12
	160	5	14	21	16	20	25
R.T.Z. (*417)	390	40	60	66	8	16	23
	420	20	42	50	20	28	39
Sun. & Ins (*345)	330	28	41	53	9	17	20
	360	10	25	38	22	32	34
Tesco (*233)	220	17	29	34	4	6½	9
	240	7	18	22	11	15	19
Thames Water (*232)	230	9	20	–	8	14	–
	240	5	13	20	15	19	21
Water Hldg Ply (*2270)	2250	70	160	–	70	100	–
	2300	50	140	–	90	130	–
Option		**Nov**	**Jan**		**Nov**	**Jan**	
Ferranti (*19)	20	2½	4	–	5	6	–
	25	1	2	–	8½	10	–
Option		**Nov**	**Feb**	**May**	**Nov**	**Feb**	**May**
Lucas Inds (*116)	110	9	17	19	9	13	14
	120	5	13	14	17	18	22
Option		**Oct**	**Dec**	**Mar**	**Oct**	**Dec**	**Mar**
Reuters (*686)	700	17	70	97	32	63	83
	750	5	42	76	75	94	110

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*229)	220	19	26	34	8	13	17
	240	8	15	20	15	19	23
Amstrad (*62)	60	6½	9	13	5	7½	9
	70	2½	6	8½	11	13½	14½
Barclays (*347)	330	37	51	52	14	22	26
	357	21	–	–	26	–	–
Blue Circle (*219)	200	28	37	40	4½	9	14
	220	17	26	28	13	18	23
British Gas (*225)	220	15	21	29	6	11	12
	240	6½	11½	17	17	19	20
Dixons (*144)	140	14	18	21	6	11	13
	160	4	8	12	18	20	22
Glaxo (*751)	750	43	77	96	32	42	47
	800	23	52	67	60	67	72
Hawker Sidd (*377)	390	15	30	35	45	50	53
	420	7	20	22	63	65	75
Hillsdown (*274)	260	25	36	42	8	13	17
	280	14	25	31	18	23	26
Lonrho (*205)	200	19	22	26	9	17	18
	218	10	–	–	18	–	–
Midland Bk (*192)	180	23	32	38	7	15	17
	200	14	22	27	18	25	28
R. Royce (*173)	160	21	26	30	4	7½	9
	180	9	17	19	13	15	18
Sears (*83)	80	8	12	14	6	7	8
	90	3½	7	8	11	13	14
THF (*262)	260	18	29	33	10½	14	20
	280	8½	20	–	22	25	–
Thorn EMI (*613)	600	44	66	83	24	30	35
	650	20	40	56	52	57	59
TSB (*135)	130	12	15	19	6	8	13
	140	7½	9	13	10	13	17
Vaal Reefs (*$68)	60	15	18	21	4	8	10
	70	10	14	16	10	13	15
Wellcome (*458)	420	55	75	–	12	22	–
	460	29	50	65	32	37	41

EURO FT-SE INDEX (*2097)

	1925	1975	2025	2075	2125	2175	2225	2275
CALLS								
Oct	203	150	115	79	50	30	16	10
Nov	233	192	155	122	93	70	53	–
Dec	260	–	185	–	125	–	77	–
Mar	305	–	230	–	176	–	130	–
Jun	344	–	278	–	220	–	170	–
Sep	380	–	317	–	256	–	212	–
PUTS								
Oct	10	16	25	35	60	90	125	168
Nov	27	37	47	62	83	111	142	–
Dec	35	–	57	–	95	–	150	–
Mar	65	–	100	–	133	–	183	–
Jun	70	–	105	–	130	–	190	–
Sep	70	–	106	–	140	–	270	–

FT-SE INDEX (*2097)

	1900	1950	2000	2050	2100	2150	2200	2250
CALLS								
Oct	227	182	138	98	66	41	24	14
Nov	255	213	172	140	108	80	58	43
Dec	283	243	206	172	141	112	90	70
Jan	302	262	225	192	162	132	110	89
Jun †	368	–	294	–	230	–	178	–
PUTS								
Oct	9	12	19	31	50	80	115	158
Nov	22	31	41	55	76	103	135	173
Dec	30	39	51	67	87	113	145	180
Jan	32	49	62	79	102	126	156	190
Jun †	58	–	82	–	119	–	170	–

Suspended
October 12 Total Contracts 44,657
Calls 22,616 Puts 22,041
FT-SE Index Calls 2,328 Puts 3,514
Euro FT-SE Calls 10 Puts 5,412
*Underlying security price. † Long dated expiry months

INTERNATIONAL COMPANIES AND FINANCE

Asahi redrafts agreement to acquire Elders holding

By Kevin Brown in Sydney and Ian Rodger in Tokyo

ASAHI BREWERIES of Japan is renegotiating an agreement to acquire a 19.9 per cent stake in Australia's Elders IXL from Harlin Holdings, the private company controlled by Mr John Elliott, ending speculation that the deal was off.

The move prompted a 13 cents recovery to A$1.23 in Elders shares on the Australian Stock Exchange yesterday. Under the deal, Asahi was to have paid Harlin – which owns 56 per cent of Elders – A$2.15 apiece for the shares. The deal would have been worth A$960m to Harlin.

Harlin said Asahi would now acquire part of its target holding in the market, but claimed the transaction would still have the effect of stabilising Harlin's finances.

Negotiations are thought to be continuing on the number of shares Asahi will buy from Harlin, and the price to be paid. Harlin would say only that "the basic structure" of the original deal would remain.

Meanwhile in Tokyo, Mr Shigeo Oishi, director of Asahi's international finance division, said the group was concerned about the weakness of Elders' share price, which stood at A$1.57 when the deal was struck last month.

"We are still positive about it, but we are a little bit concerned about the decline in the share price in the past few days," Mr Oishi said. "We valued the shares at a certain price, but if we can buy them cheaper than that then that would be good for us."

Harlin was the vehicle for a takeover of Elders by a group of executives led by Mr Elliott, who is chairman of both companies. Mr Elliott resigned as chief executive of Elders earlier this year after Elders' share price began to slide in reaction to the takeover.

Harlin accumulated debts of A$2.85bn (US$2.3bn) to finance the takeover, which was achieved at an average price of A$2.50 for each Elders share.

Analysts said investors had expected Asahi to pull out of the deal with Harlin because of the widening gap between the agreed price per share and the price in the market.

Asahi said it had been in constant contact with Harlin about the terms of the share sale, and revealed that Mr Koichiro Iwaki, managing director, had met Mr Peter Bartels, Elders chief executive, in London earlier this week.

Elders said the meeting concerned technical details relating to Courage, Elders' UK brewing subsidiary, which is awaiting a ruling from the UK government on plans for a pubs-for-breweries swap with Grand Metropolitan.

Stora group disappoints with 29% profits fall

By John Burton in Stockholm

STORA, Europe's biggest pulp and paper group, yesterday reported a 29 per cent fall in profits after financial items to SKr1.73bn ($307m) for the first eight months of 1990. The results were lower than expected, with most analysts predicting a 20 per cent drop in earnings.

Sales rose 37 per cent to SKr37bn due to Stora's recent acquisition of Feldmühle-Nobel (FeNo) in Germany and several other smaller companies. Excluding the takeovers, sales rose by 3 per cent to SKr27.9bn.

FeNo added SKr118m to Stora's earnings. Without this contribution, profits would have fallen by 34 per cent to SKr1.6bn.

The earnings fall reflects tougher times for all of Sweden's forestry companies, which are facing high production costs at home and increased competition in Europe as demand weakens for pulp and paper and production capacity expands.

Stora predicted in June that profits for the year would fall by about 20 per cent from the 1989 figure of SKr3.9bn, but it said yesterday that it could no longer make a precise forecast due to the unsettled global situation resulting from the Gulf crisis.

The three units that Stora plans to sell to finance its DM4bn purchase of FeNo all reported sizeable declines in operating profit. The Tarkett flooring division suffered a 72 per cent earnings slide to SKr54m, while Stora Kitchen dropped by 44 per cent to SKr32m and the Finess group by 51 per cent to SKr23m.

The company's core pulp and paper operations saw more modest profit declines. Earnings for the fine paper group, Stora's biggest division, slipped by 26 per cent to SKr229m, while those for newsprint declined by 28 per cent to SKr433m. The pulp operations fell by 27 per cent to SKr588m and the packaging division reported unchanged profits at SKr553m.

Stora is rationalising its operations in the wake of the FeNo acquisition, and this will lead to the elimination of 3,500 jobs, most of them in Sweden, by the end of next year.

Stora will also shed another 12,500 workers once it sells Tarkett, Finess and Stora Kitchen, all part of the Swedish Match group which Stora bought in 1988.

Stora believes it now has close to 95 per cent ownership of FeNo, following its initial bid for 85 per cent of the company. FeNo's results were consolidated in Stora as of May 1.

AMD claims a first-round victory

Louise Kehoe on the implications of Thursday's ruling against Intel

Advanced Micro Devices has declared a moral victory over its Silicon Valley neighbour Intel in what has become the longest and most bitter legal dispute in the history of the US semiconductor industry.

A court-appointed arbitrator ruled on Thursday that Intel had seriously breached several aspects of a landmark 1982 technology exchange agreement with AMD in which the two companies agreed to swap products on a "value for value" basis.

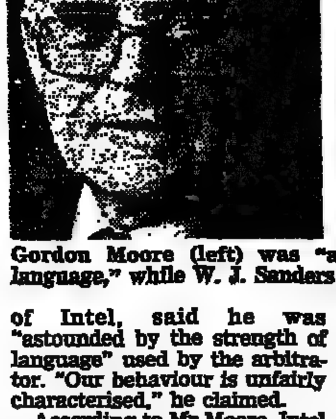
Still undetermined, however, is whether AMD can win any financial recompense from Intel. Also unresolved is the issue at the centre of the dispute: whether AMD can win the rights to manufacture and sell Intel's leading microprocessor product, the 386, a key component in IBM-compatible personal computers.

Intel currently holds a monopoly on what AMD claims is the "billion dollar a year market for 386s".

"Our customers have been too long enslaved by Intel's monopoly. The Berlin wall fell under the pressure of free choice and the Intel monopoly will fall for the same reason," Mr W. J. Sanders III, AMD's outspoken chairman, declared following the ruling.

In his ruling, the arbitrator charged Intel with "duplicity" and "extortion". Intel's breach of contract was "ordered and approved by the most senior officials at Intel".

Mr Gordon Moore, chairman of Intel, said he was "astounded by the strength of language" used by the arbitrator. "Our behaviour is unfairly characterised," he claimed.



Gordon Moore (left) was "astounded by the arbitrator's language," while W. J. Sanders III applauded the decision

According to Mr Moore, Intel attempted to make the contractual relationship with AMD work, but became frustrated by the lack of effort on the AMD side. AMD did not offer Intel products of equivalent value, Intel claims.

Intel's mistake was to agree to trade the 386 for AMD products, the arbitrator's ruling makes clear. "Saddled with an unfavourable contract and headed into stormy business seas, [Intel] decided to frustrate the operation of the relationship with AMD."

In response to the ruling, Mr Sanders said that AMD would seek over $600m in damages, as well as the rights to manufacture Intel's 386. Hearings to determine damages are scheduled to begin next month.

As soon as the long-awaited ruling was issued, however, it became evident that the dispute was far from resolved.

In differing interpretations of the ruling, Intel emphasised that it was not required to transfer rights to manufacture the 386 to AMD. AMD pointed out, however, that the decision made clear that consideration of transfer of the product would be part of the damages hearing.

Intel general counsel, Mr Thomas Dunlap, also indicated that if AMD is awarded rights to the 386 or substantial monetary damages, then Intel will appeal the ruling. That could drag the case on for months, or even years.

Even if Intel were forced to give AMD the 386, today's value of the product rights to AMD is questionable.

AMD has already "reverse engineered" the 386 and is ready to introduce "clones" of the Intel chips, Mr Sanders said, acknowledging for the first time a widespread industry rumour.

The company is precluded from applying the widely recognised designation 386 to the chips, or from officially introducing them, pending the determination of another legal dispute with Intel. Last week, Intel filed a trademark infringement suit against AMD and won a temporary restraining order.

"Intel does not yet seek to block us from announcing or shipping our product, but they intend to derail our marketing effort. They will fail, because our mutual customers want us to supply a competitive offering," said Mr Sanders.

Nonetheless, AMD expects Intel to file additional law suits when it launches its 386 clone, charging either patent or copyright infringement. The companies are already battling the issue of infringement of copyright on "microcode", the internal software that controls the functions of a microprocessor, in yet another related dispute.

The whole saga is likely to keep lawyers busy for years. It may also create a serious rift within the Silicon Valley chip industry, and damage a collaborative framework which has been vital to efforts to maintain US competitiveness.

KOP earnings decline 40% to FM326m

By David Lascelles, Banking Editor

KANSALLIS-Osake-Pankki, one of Finland's largest banks, suffered a 40 per cent fall in profits before provisions and taxes in the first eight months of this year, to FM326m ($90m). Profit after taxes was FM155.8m, a fall of 66 per cent against the year-ago figure.

Profit from financial operations rose 26 per cent to FM2.1bn, but other forms of income fell 22 per cent to FM1bn. Expenses rose 12 per cent to FM1.9bn. Write-offs rose 33 per cent to FM362m.

For the group as a whole, the result represented an annualised return on equity of 2.1 per cent. Dr Jaako Lassila, chairman, described this as unsatisfactory.

Mr Peter Fagernäs, senior vice-president, said yesterday that the regular banking operations had performed well.

However, other parts of the group had suffered from the weakness of the Helsinki Stock Exchange, and the wider problems of the Finnish economy. The forestry industry was weak, and the decline in trade with east Europe had hurt many companies.

KOP is proposing a restructuring of the group along holding company lines. The four constituent parts will be banking, corporate finance, treasury and asset management.

The changes are awaiting approval from the regulatory and tax authorities. They would enable KOP to control its costs more efficiently, Mr Fagernäs said.

KLM to cut spending 15% over three years

By Paul Abrahams

KLM Royal Dutch airlines yesterday became the latest of a number of European airlines to introduce cost-cutting programmes, when the carrier announced it would be reducing expenditure by about 15 per cent over the next three years.

The move follows a warning earlier this month that the Dutch airline expected to report a "considerable loss" in the present financial year. In August, the carrier announced a dramatic fall in first-quarter profits from Fl 230.1m ($134m) to Fl 41.4m. It blamed increasing fuel prices, higher insurance rates, and unfavourable exchange rate movements for the setback.

KLM said it hoped to achieve its target of cutting Fl 400m from its expenditure by making 800 redundancies from its 25,000 workforce, as well as re-examining the economics of operating various routes. The plan's aim is to improve the company's margins to 5 per cent of turnover within three years.

KLM is not the only airline to be suffering falling profits. An increase in costs and falling yields caused by increased capacity and weakening demand have taken their toll on other European airlines.

Air France, whose passenger traffic only increased by 1.7 per cent during the first half of this year, has recently announced a cost-cutting exercise after calculating that it expects to lose FFr170m during the first half 1990, compared with a profit of FFr63m last year.

The airline's fuel bill next year could be FFr4bn higher than in 1989, according to executives. All non-aircraft investments have been suspended, and work on non-essential information systems halted.

Scandinavian Airlines Systems has announced a 5 per cent cut in expenditure following a 69 per cent fall in profits for the first half of 1990. British Airways has also recently introduced a margins improvement programme.

L'Oreal turnover up 8.3%

L'Oreal, the world's largest cosmetics maker, has increased first-half sales and profits, writes William Dawkins in Paris.

The group, which owns the Lancome, Vichy, Cacharel and Guy Laroche brands, reported turnover up from FFr14.5bn to FFr15.7bn ($3bn) in the interim period, up 8.3 per cent, or 11.8 per cent on a comparable basis after adjusting for disposals.

Pre-tax profits rose 13 per cent from FFr1.51bn to FFr1.7bn.

L'Oreal sold its hygiene, home comfort, surgical sutures and ophthalmic laser businesses last year as part of a strategy to focus on its main business.

Laidlaw hit by waste permit provisions

By Bernard Simon in Toronto

A LARGE provision for redundant permits at US hazardous waste treatment sites has contributed to a 72 per cent decline in quarterly earnings at Laidlaw, the Canadian waste management and school bus operator.

Net income fell to $19.8m, or 7 cents a share, in the three months to August 31, from US$71.1m, or 32 cents a share a year earlier.

Income from continuing operations rose by 23 per cent to $69.6m, but this was more than offset by the $33.4m permit write-off, and a $16.4m loss on a western Canadian trucking business and a tree service operation, both of which have been sold.

Mr Donald Jackson, who took over as chief executive in August from Laidlaw's founder Mr Michael DeGroote, linked the permit write-off to differing approaches between himself and Mr DeGroote.

Besides its waste management and school bus operations, Laidlaw owns 29 per cent of the British security systems company ADT, and 37 per cent of Attwoods, the UK waste management group.

Mr Jackson said optimism for growth in 1991 is tempered by external factors, notably the sharp rise in oil prices.

Earnings for the fiscal year to August 31 rose by 2 per cent to $214.5m. Revenues were up 30 per cent at $1.74bn.

Hilton Hotels down by 22%

By Nikki Tait in New York

FURTHER EVIDENCE of the difficult conditions prevailing in the US hotel industry has surfaced in third-quarter figures from Hilton Hotels. These show after-tax profits down by 22 per cent at $21.9m, and earnings per share lower by a similar amount at 45 cents.

Without the benefit of property disposals, the setback would have been even sharper. California-based Hilton benefited from a $10m pre-tax profit on property transaction in the three months to September 1990, compared with a $3.7m loss in the same period a year earlier. Profits before property transactions and tax fell by 47 per cent to $22m.

Total revenues in the period were $25.7m, while the profit is after interest charges of $15m against $9.7m a year earlier.

Hilton said that the entire industry is still contending "with a sluggish economy and excess capacity in many major markets".

It noted that New York City, which is an important market for the group, had a particularly slow summer, affecting Hilton properties there. Hotel occupancy was 69 per cent in the third quarter against 71 per cent in 1989.

Hilton's gaming division also had a tough third quarter. The Las Vegas Hilton had lower gaming table revenues, partly due to increased competition, while higher revenues at the Flamingo Hilton-Las Vegas were offset by higher operating costs, causing profits to decline slightly there. Gaming occupancy at Nevada was 85 per cent, compared with 88 per cent last year.

Strong currency hurts Ciba Geigy

By Our Financial Staff

CIBA GEIGY, the Swiss chemicals and pharmaceuticals group, yesterday reported a 4 per cent fall in turnover for the first nine months of 1990 from SFr15.9bn ($13.3bn) to SFr15.2bn.

The fall follows a 2 per cent year-on-year decline for the first half of the year, and was a result of the appreciation in the Swiss franc.

The company said nine-month sales would have risen 4 per cent if expressed in local currencies.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990	Low 1990
Gold per troy oz.	$387.50	-6.75	$363.75	$420.25	$345.75
Silver Per troy oz	215.05p	-30.7	326.00p	323.50p	215.05p
Aluminium 99.7% (cash)	$1857.5	-127.5	$1842.5	$2227.5	$1380.0
Copper Grade A (cash)	£1371.0	-105	£1889	£1747.5	£1304.5
Lead(cash)	£394.5	-35.5	£487.50	£790	£392
Nickel (cash)	$9500	-175	$10447.5	$11375	$6075
Zinc SHG (cash)	$1359	-75.5	$1610	$1869	$1250
Tin (cash)	$6205	+5	$8245	$7020	$5785
Cocoa Futures (Mar)	£721	-28	£720	£967	£622
Coffee Futures (Jan)	£604	-10	£685	£757	£546
Sugar (LDP Raw)	$256.4	-3.6	$353	$386.4	$256.4
Barley Futures (Jan)	£117.00	+0.30	£110.80	£117.00	£103.45
Wheat Futures (Jan)	£118.40	-0.30	£113.40	£123.45	£111.00
Cotton Outlook A Index	81.45c	+1.05	82.55c	92.70c	73.70c
Wool (64s Super)	418p	-14	505p	580p	418p
Oil (Brent Blend)	$37.625y	+2.0	$19.575	$39.175	$15.575

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. y-December

COCOA – London FOX £/tonne

	Close	Previous	High	Low
Dec	676	679	683	671
Mar	721	722	726	713
May	746	745	751	740
Jul	770	785	773	760
Sep	793	787	790	785
Dec	832	816	822	813

Turnover: 3790 (4173) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 11 922.88 (916.89) 10 day average for Oct 12 950.16 (956.71)

COFFEE – London FOX £/tonne

	Close	Previous	High	Low
Nov	591	592	595	586
Jan	604	605	607	599
Mar	598	608	[illegible]	594
May	603	600	604	598
Jul	614	614	616	613
Sep	626	629	629	626
Nov	643		644	

Turnover: 5193 (5700) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 11: Comp. daily 74.14 (74.53). 15 day average 74.32 (74.38)

POTATOES – BFE £/tonne

	Close	Previous	High	Low
Apr	147.6	146.9	148.0	146.6
May	166.6	165.6	166.0	165.0

Turnover 101 (273) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Dec	114.50	114.00	114.50

Turnover 17 (10) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High	Low
Oct	1257	1245	1255	1254
Nov	1323	1310	1314	
Jan	1310	1314	1320	1310
Apr	1294	1295	1305	1295
Oct	1175		1180	
BFI	1217	1181		

Turnover 274 (268)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High	Low
Nov	114.40	113.85	114.40	113.70
Jan	118.40	117.85	118.40	117.90
Mar	122.10	121.45	121.45	121.30
May	125.60	125.00	125.10	125.05
Barley	**Close**	**Previous**	**High**	**Low**
Nov	112.95	112.20	112.95	112.30
Jan	117.00	116.30	117.05	116.40
Mar	120.30		120.20	119.60

Turnover: Wheat 171 (247), Barley 213 (30). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	93.0	92.0	91.0

Turnover 7 (25) lots of 3,250 kg

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$33.40-3.50y	-.575
Brent Blend (dated)	$40.10-0.20	-0.75
Brent Blend (December)	$37.60-7.65	-0.55
W.T.I. (1 pm est)	$38.20-8.30y	-0.55
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$412-416	-13
Gas Oil	$348-350	-5.5
Heavy Fuel Oil	$145-147	-2
Naphtha	$391-398	-2
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$387.5	-2.25
Silver (per troy oz)♣	434c	+3
Platinum (per troy oz)	$418.0	-0.75
Palladium (per troy oz)	$94.5	-0.25
Aluminium (free market)	$1840	-185
Copper (US Producer)	129¼c	-4.75
Lead (US Producer)	51c	
Nickel (free market)	420c	-16
Tin (Kuala Lumpur market)	16.26r	+0.21
Tin (New York)	286c	+5
Zinc (US Prime Western)	73c	
Cattle (live weight)†	101.57p	
Sheep (dead weight)†	131.77p	
Pigs (live weight)†	78.10p	
London daily sugar (raw)	$256.4w	-5.6
London daily sugar (white)	$306.5w	-2.5
Tate and Lyle export price	£238.5	-3.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£158	
Wheat (US Dark Northern)	£90	
Rubber (Nov)♥	50.50p	-0.25
Rubber (Dec)♥	50.50p	-0.25
Rubber (KL RSS No 1 Nov)	238.5m	
Coconut oil (Philippines)§	$280w	
Palm Oil (Malaysian)§	$280w	
Copra (Philippines)§	$200t	
Soyabeans (US)	£143	
Cotton "A" index	81.45c	
Wooltops (64s Super)	418p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Jan. u-Oct/Dec v-Oct/Nov. w-Oct/Nov z-Aug/Sep y-Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High	Low
Dec	220.80	221.00	222.00	
Mar	215.60	219.40	219.40	213.80
May	217.00	220.60	221.00	215.80
Aug	218.60	222.00	220.60	219.40
Oct	218.60	221.40	220.60	218.00
Dec	220.00	222.00	218.00	
Mar	221.00	223.00	222.00	
White	**Close**	**Previous**	**High**	**Low**
Dec	297.0	300.7	299.0	296.3
Mar	294.0	297.5	297.0	293.0
May	293.6	298.0	297.5	293.0
Aug	300.1	305.0	306.0	299.5
Oct	292.6	298.0	294.0	292.5
Mar	294.5	298.5	294.5	293.4

Turnover: Raw 1913 (1086) lots of 50 tonnes. White 1196 (661)
Paris- White (FFr per tonne): Dec 1510 Mar 1500, May 1500, Aug 1495, Oct 1495

CRUDE OIL – IPE $/barrel

	Latest	Previous	High	Low
Nov	39.50	39.73	40.20	38.60
Dec	37.35	37.72	38.20	36.70
Jan	35.95	36.10	36.30	35.20
Feb	34.25	34.60	34.25	
IPE Index	40.32	38.10		

Turnover: 18708 (21909)

GAS OIL – IPE $/tonne

	Latest	Previous	High	Low
Nov	337.25	341.75	341.00	329.00
Dec	328.00	332.00	332.00	319.50
Jan	313.50	318.00	319.00	310.00
Feb	301.50	303.00	305.00	299.50
Mar	281.50	285.00	283.00	281.00
Apr	264.00	284.00	265.00	263.00

Turnover 20311 (20342)lots of 100 tonnes

SPICES
Trading was dull last week, reports Man-producten, partly because of holidays and partly because of uncertainty over the direction of prices. Nutmegs, mace, cassia, pimento, and cloves have come down to such low levels that farmers might switch to other produce, or pay less attention to the crops. The end of long term price decreases for many spices appears near. Pimento decreased to US$1,300 a tonne. Cloves: 1991 shipments can be bought around $2,450 cif Europe. Nearby is unchanged at $2,900 ex-warehouse. Cassia: offers from Padang steadied as demand reappeared. Dutch poppyseed: local market firm.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,847 lots
Cash	1855-60	1930-40	1850	1830-1		
3 months	1750-2	1804-5	1790/1720	1737-40	1757-8	76,590 lots
Copper, Grade A (£ per tonne)						Total daily turnover 19,501 lots
Cash	1370-2	1425-35	1390/1377	1389-91		
3 months	1326-7	1363-4	1345/1327	1336-9	1332-4	113,362 lots
Lead (£ per tonne)						Total daily turnover 4,082 lots
Cash	394-5	405-8	397/396	396-7		
3 months	385-7	392-3	393/385	389-9.5	384-5	11,403 lots
Nickel ($ per tonne)						Total daily turnover 2,259 lots
Cash	9400-600	9000-50	9100	9050-100		
3 months	8700-50	8700-10	8775/8650	8675-80	8725-75	8,563 lots
Tin ($ per tonne)						Total daily turnover 729 lots
Cash	6200-10	6150-60		6220-40		
3 months	6200-70	6185-200	6290/6215	6250-60	6270-5	5,400 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 3,812 lots
Cash	1358-60	1375-9	1356/1355	1356-7		
3 months	1346-7	1360-2	1355/1342	1345-7	1363-5	20,141 lots

LME Closing £/$ rate: SPOT: 1.9739 3 months: 1.9485 6 months: 1.9252 9 months: 1.9067

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	387¼-387¾	196-196½
Opening	387¼-388	196-196½
Morning fix	388.30	196.797
Afternoon fix	388.25	196.473
Day's high	390¾-391¼	
Day's low	386-386½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	397-402	201-204
Britannia	397-402	201-204
US Eagle	397-402	201-204
Angel	397-402	201-204
Krugerrand	386-389	195½-197½
New Sov.	92-94	46½-47½
Old Sov.	92-94	46½-47½
Noble Plat	422.95-429.75	214.50-217.95
Silver fix	**p/fine oz**	**US cts equiv**
Spot	215.05	424.75
3 months	222.40	433.50
6 months	229.40	442.25
12 months	242.50	459.20

TRADED OPTIONS

Aluminium (99.7%)	Calls Nov	Calls Jan	Puts Nov	Puts Jan
Strike price $ tonne				
1700	141	103	17	52
1800	74	56	50	103
1900	33	27	107	172
Copper (Grade A)	**Calls**		**Puts**	
2550	140	117	21	88
2650	758	73	55	142
2750	34	43	112	210
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
550	41	63	0	10
600	5	32	15	29
650	0	14	59	65
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
650	45	96	17	27
700	21	67	42	48
750	9	47	80	78
Brent Crude	**Dec**	**Jan**	**Dec**	**Jan**
3900		400		
3950				
3900				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High	Low
Oct	387.5	389.7	388.0	387.0
Nov	[illegible]	391.5	0	0
Dec	391.3	393.6	394.6	389.1
Feb	395.5	397.8	398.7	389.3
Apr	399.5	401.3	400.7	399.0
Jun	403.5	406.1	404.0	403.0
Aug	407.8	410.1	0	0
Oct	412.1	414.4	0	0
Dec	416.5	418.8	418.0	415.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High	Low
Oct	416.9	417.0	412.0	411.0
Jan	419.4	420.1	421.5	415.0
Apr	424.8	425.2	426.5	420.0
Jul	430.2	430.2	426.0	425.0
Oct	435.7	435.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High	Low
Oct	430.6	423.5	432.0	414.5
Nov	431.7	424.7	0	0
Dec	435.5	428.5	440.0	419.5
Jan	437.5	430.5	440.0	440.0
Mar	445.0	438.0	454.0	430.0
May	451.3	444.3	458.0	439.0
Jul	457.3	450.8	461.0	441.5
Sep	464.6	457.6	466.0	454.0
Dec	474.1	467.1	465.0	465.0
Jan	477.1	470.1	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 12	Oct 11	mnth ago	yr ago
1732.3	1743.1	1802.6	1879.4

DOW JONES (Base: Dec. 31 1974 = 100)	Oct 11	Oct 10	mnth ago	yr ago
Spot	127.99	128.65	129.24	128.97
Futures	128.97	129.01	132.15	129.86

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	124.75	126.65	126.00	124.50
Nov	119.50	121.75	120.90	119.60
Dec	113.50	115.75	114.65	112.50
Jan	111.60	113.60	112.30	111.60
Mar	106.10	109.65	109.00	107.20
Apr	107.30	108.65	0	0
May	106.30	107.50	107.00	106.00
Jun	105.65	106.55	0	0
Jul	104.60	105.60	105.40	104.60
Aug	103.60	104.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High	Low
Nov	40.00	40.42	40.60	38.60
Dec	38.50	38.80	39.06	37.00
Jan	37.00	37.30	37.40	35.90
Feb	35.60	35.80	35.85	34.30
Mar	34.15	34.38	34.55	33.30
Apr	32.90	33.03	33.05	32.00
Jun	30.56	30.69	30.70	30.05

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High	Low
Nov	10545	10485	610	210
Mar	9300	9350	9425	9130
May	8410	8515	8435	8400
Jun	8200	8305	8360	8100
Jul	8100	8205	8150	8090

COCOA 10 tonnes;$/tonnes

	Close	Previous	High	Low
Dec	1221	1208	1228	1211
Mar	1278	1267	1285	1268
May	1316	1292	1323	1309
Jul	1352	1332	1357	1346
Sep	1363	1360	1367	1375
Dec	1425	1395	1425	1413
Mar	1458	1430	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High	Low
Dec	92.50	91.55	93.30	91.75
Mar	96.05	95.35	96.90	95.70
May	98.45	97.85	98.60	98.10
Jul	99.75	99.75	100.10	0
Sep	101.00	101.30	102.40	101.00
Dec	105.40	105.00	0	0
Mar	106.75	106.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High	Low
Mar	9.63	9.81	9.70	9.53
May	9.64	9.86	9.73	9.60
Jul	9.67	9.85	9.73	9.63
Oct	9.68	9.85	9.75	9.65
Mar	9.80	9.83	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High	Low
Dec	73.08	73.29	73.40	72.50
Mar	73.50	73.80	73.90	73.31
May	73.92	74.18	74.38	73.75
Jul	74.10	74.37	74.51	73.90
Oct	69.13	69.30	0	0
Dec	67.70	67.85	68.00	67.65
Mar	68.50	68.50	68.50	68.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High	Low
Nov	113.45	128.90	114.00	111.00
Jan	124.75	129.75	124.75	124.75
Mar	126.45	131.45	126.45	126.45
May	126.90	131.90	128.90	126.90
Jul	126.60	131.90	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High	Low
Nov	620/4	620/4	630/2	618/4
Jan	636/2	635/4	644/6	634/0
Mar	647/6	647/6	657/4	645/4
May	657/0	657/6	666/6	656/0
Jul	665/6	665/6	675/0	664/0
Aug	659/4	660/0	668/4	659/0
Sep	636/4	635/0	646/0	636/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High	Low
Oct	21.90	22.10	22.35	21.85
Dec	22.13	22.39	22.65	22.12
Jan	22.43	22.65	22.95	22.43
Mar	22.87	23.08	23.38	22.85
May	23.20	23.45	23.70	23.20
Jul	23.42	23.67	23.90	23.42
Aug	23.45	23.55	23.90	23.45
Sep	23.30	23.47	23.75	23.30

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High	Low
Oct	183.8	184.6	188.0	183.2
Dec	187.8	188.6	192.5	187.7
Jan	189.6	190.8	194.3	189.5
Mar	192.7	192.8	196.4	192.5
May	193.6	193.2	196.8	193.1
Jul	194.5	193.6	197.3	194.2
Aug	193.0	192.8	194.5	193.0
Sep	190.2	188.5	191.0	190.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High	Low
Dec	230/2	232/6	234/6	230/0
Mar	239/6	241/6	243/6	239/4
May	245/2	247/4	249/4	245/0
Jul	249/2	251/2	253/2	249/0
Sep	247/2	247/4	249/4	247/0
Dec	249/6	249/2	251/2	249/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High	Low
Dec	266/4	271/2	273/4	264/4
Mar	280/4	285/4	287/4	278/4
May	288/2	292/6	294/6	285/4
Jul	291/0	297/0	296/2	290/0
Sep	296/0	301/4	303/0	298/0
Dec	306/6	312/0	308/0	308/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High	Low
Oct	79.00	79.82	79.12	78.60
Dec	75.65	75.22	75.82	75.12
Feb	73.75	73.57	74.10	73.52
Apr	74.92	74.65	75.20	74.80
Jun	72.77	72.50	72.85	72.45
Aug	70.77	70.75	71.35	70.77

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High	Low
Oct	57.62	56.52	57.80	56.60
Dec	55.02	54.10	55.30	54.12
Feb	52.62	51.60	52.90	51.65
Apr	49.05	48.22	49.57	48.25
Jun	52.60	51.95	52.60	52.20
Jul	52.80	52.40	52.95	52.37
Aug	51.30	50.65	51.30	50.75

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High	Low
Feb	66.40	64.40	66.40	65.10
Mar	66.32	64.32	66.32	65.20
May	66.15	64.15	66.15	64.60
Jul	65.05	63.05	65.05	63.70
Aug	64.87	62.80	64.80	63.00

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar remains under pressure

THE DOLLAR fell to a record low against the D-Mark and weakened against other currencies after figures on US retail sales provided further evidence that the economy is moving towards recession.

A rise of 1.1 per cent in September retail sales was a reflection of temporary demand for cars, plus rising oil prices, but if these are stripped out there is evidence that the US economy has already entered a recessionary phase, according to some economists.

Failure of agree on firm measures to cut the US budget deficit, despite yesterday's confidence by President Bush that a package will be agreed, also weighed on the currency.

A rise of 1.6 per cent in September US producer prices had little impact on the dollar. Mr Marlin Fitzwater, a White House spokesman, said: "Producer price inflation is always a concern. The Fed has clearly taken that into account, but we still are concerned about growth and preventing a recession, and we think the Fed has recognised all these factors and is on the right course."

Earlier an unnamed US official was reported as saying that the US would be quite comfortable if the dollar moved into a range of Y121-123 against the yen, adding that increased export demand would be a powerful boost to the economy. At last night's close in London the dollar had fallen to Y128.65 from Y129.90.

In terms of the D-Mark the US currency touched a record trading low of DM1.5155 and finished in London at an all-time closing low of DM1.5170 against DM1.5320 on Thursday. The Frankfurt fixing was also the lowest ever for the dollar at DM1.5221.

At the London close the dollar had fallen to FFr5.0850 from FFr5.1300 against the French franc. In Paris the dollar was fixed at FFr5.0930, the lowest level since April 1981. In London the dollar fell to SFr1.2780 from SFr1.2900, finishing at a technical support level against the Swiss franc. Its index declined to 60.5 from 61.0.

Sterling gained 90 points to $1.9740, but lost ground within the exchange rate mechanism of the European Monetary System. A rise to 10.9 from 10.6 per cent in Britain's September year-on-year inflation had little impact, but the pound drifted lower despite comments from Mrs Margaret Thatcher, the prime minister, that there are clear signs inflationary pressures are receding.

Sterling fell to DM2.9950 from DM3.0100; to FFr10.0375 from FFr10.0800; to SFr2.5225 from SFr2.5350; and to Y254.00 from Y255.25. The pound's index shed 0.1 to 96.0. Within the ERM sterling was 1.98 per cent above its central rate against the weakest placed Italian lira, compared with 2.13 per cent previously.

£ IN NEW YORK

Oct.12	Latest	Previous Close
£ Spot	1.9685-1.9695	1.9770-1.9780
1 month	1.02-0.99pm	0.92-0.90pm
3 months	2.62-2.57pm	2.54-2.51pm
12 months	8.50-8.20pm	8.15-8.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.12	Previous
8.30 am	95.8	96.2
9.00 am	95.8	96.3
10.00 am	95.9	96.2
11.00 am	95.8	96.2
Noon	95.9	96.2
1.00 pm	95.9	96.2
2.00 pm	95.9	96.0
3.00 pm	96.0	96.1
4.00 pm	96.0	96.1

CURRENCY MOVEMENTS

Oct.12	Bank of England Index	Morgan** Guaranty Changes %
Sterling	96.0	-16.6
U.S Dollar	60.5	-18.3
Canadian Dollar	102.7	+0.7
Austrian Schilling	109.7	+11.7
Belgian Franc	111.4	-3.3
Danish Krone	110.8	+4.9
Deutsche Mark	118.8	+24.6
Swiss Franc	114.9	+23.4
Guilder	114.5	+15.9
French Franc	105.4	-11.3
Lira	99.3	-19.7
Yen	134.3	+69.5

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.11.

CURRENCY RATES

Oct 12	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.725144	0.687228
U.S Dollar	7	1.42672	1.35690
Canadian $	12.82	1.64298	1.55477
Austrian Sch	6½	15.3758	14.5300
Belgian Franc	10¼	45.0594	42.5126
Danish Krone	10½	8.32420	7.87156
Deutsche Mark	6.00	2.18631	2.06457
Neth Guilder	7.00	2.46597	2.32714
French Franc	10½	7.32407	6.91261
Italian Lira	12½	1637.86	1546.90
Japanese Yen	6	185.046	174.732
Norway Krone	8	8.45760	8.08182
Spanish Peseta	–	137.484	129.858
Swedish Krona	11	8.06025	7.65309
Swiss Franc	6.00	1.83548	1.73952
Greek Drach	20½	N/A	207.271
Irish Punt	–	N/A	0.769497

† European Commission Calculations.
* All SDR rates are for Oct.10

OTHER CURRENCIES

Oct. 12	£	$
Argentina	10938.7 - 11023.2	5540.00 - 5580.00
Australia	2.4120 - 2.4140	1.2220 - 1.2250
Brazil	172.770 - 174.240	87.50 - 88.20
Finland	7.0985 - 7.1220	3.5950 - 3.6000
Greece	297.90 - 302.70	150.90 - 153.30
Hong Kong	15.2940 - 15.3075	7.7540 - 7.7560
Iran	128.90*	65.30*
Korea(Sth)	1400.20 - 1422.80	711.70 - 717.30
Kuwait	N/A	N/A
Luxembourg	61.75 - 61.85	31.25 - 31.35
Malaysia	5.3235 - 5.3360	2.6965 - 2.6985
Mexico	5743.80 - 5748.70	2909.00 - 3009.00
N.Zealand	3.1915 - 3.1965	1.6170 - 1.6190
Saudi Ar.	7.3820 - 7.4130	3.7490 - 3.7500
Singapore	3.4005 - 3.4165	1.7260 - 1.7280
S.Af (Cm)	4.9875 - 4.9995	2.5270 - 2.5285
S.Af (Fn)	7.3755 - 7.5155	3.7315 - 3.8025
Taiwan	53.85 - 53.95	27.25 - 27.30
U.A.E.	7.2260 - 7.2625	3.6700 - 3.6735

* Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9740	1.9647	1.9485	1.9265	1.8930
D-mark	2.9950	2.9813	2.9592	2.9318	2.8929
French Fr.	10.038	10.034	10.029	10.023	10.016
Swiss Fr.	2.5225	2.5094	2.4885	2.4611	2.4200
Yen	254.00	252.78	250.73	248.14	244.31

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct. 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9700 - 1.9770	1.9735 - 1.9745	0.94-0.92cpm	5.65	2.56-2.53pm	5.16
Ireland†	1.7610 - 1.7705	1.7650 - 1.7660	0.36-0.31cpm	2.28	0.99-0.89pm	2.13
Canada	1.1465 - 1.1480	1.1470 - 1.1480	0.38-0.41cdis	-4.13	1.16-1.21dis	-4.13
Netherlands	1.7070 - 1.7290	1.7105 - 1.7115	par-0.03cdis	-0.11	0.12-0.16dis	-0.33
Belgium	31.20 - 31.40	31.25 - 31.35	1.00-3.00cdis	-0.77	4.00-8.00dis	-0.77
Denmark	5.77¾ - 5.80¼	5.79¾ - 5.80¼	0.90-1.10oredis	-2.07	2.75-3.35dis	-2.1
Germany	1.5135 - 1.5240	1.5165 - 1.5175	0.01-0.03pfdis	-0.16	0.13-0.16dis	-0.38
Portugal	133.35 - 133.80	133.55 - 133.65	70-85cdis	-6.96	235-265dis	-7.49
Spain	95.25 - 95.80	95.55 - 95.65	45-52cdis	-6.09	140-153dis	-6.13
Italy	1135 - 1141½	1137¼ - 1137¾	2.20-2.70liredis	-2.58	7.00-8.00dis	-2.64
Norway	5.87½ - 5.90¼	5.88½ - 5.89	1.40-1.65oredis	-3.11	4.30-4.80dis	-3.09
France	5.07 - 5.10½	5.08¼ - 5.08¾	0.68-0.73cdis	-1.66	2.23-2.33dis	-1.79
Sweden	5.60¼ - 5.65¼	5.64 - 5.64½	2.35-2.50oredis	-5.16	7.10-7.60dis	-5.21
Japan	128.40 - 129.35	128.60 - 128.70	0.04-0.02ypm	0.28	0.01dis-0.02pm	0.02
Austria	10.66½ - 10.71	10.70¼ - 10.71	0.25-0.60grodis	-0.48	1.45-2.45dis	-0.73
Switzerland	1.2730 - 1.2840	1.2775 - 1.2785	0.08-0.04cpm	0.56	0.11-0.04pm	0.23
ECU†	1.3605 - 1.3680	1.3615 - 1.3625	0.19-0.17cpm	1.59	0.59-0.56pm	1.69

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Oct. 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9700 - 1.9770	1.9735 - 1.9745	0.94-0.92cpm	5.65	2.56-2.53pm	5.16
Canada	2.2600 - 2.2670	2.2625 - 2.2635	0.34-0.24cpm	1.54	0.68-0.54pm	1.08
Netherlands	3.37¼ - 3.38¼	3.37¼ - 3.38¼	1½-1¼cpm	5.33	4¼-4pm	4.89
Belgium	61.55 - 61.95	61.75 - 61.85	28-22cpm	4.85	73-63pm	4.4
Denmark	11.39¾ - 11.45½	11.44¼ - 11.45¼	3¼-3¼orepm	3.67	9½-8pm	3.06
Ireland	1.1150 - 1.1205	1.1195 - 1.1205	0.45-0.40cpm	4.55	1.15-1.00pm	3.84
Germany	2.99 - 3.00¼	2.99 - 3.00	1¼-1⅛pfpm	5.76	3¼-3⅛pm	4.76
Portugal	261.95 - 263.85	262.40 - 263.40	¼-¼cpm	0.01	¼-¼pm	0.01
Spain	187.60 - 189.00	187.60 - 187.90	60-100cdis	-5.11	180-300dis	-5.11
Italy	2243 - 2252½	2245 - 2246	6½-5lirepm	3.07	19¼-13¼pm	2.96
Norway	11.59¾ - 11.64¾	11.61¾ - 11.62¾	2¾-2¼orepm	2.58	6¾-5¼pm	2.11
France	10.01 - 10.05½	10.03¼ - 10.04¼	3¾-3¼cpm	4.05	8¾-8¼pm	3.41
Sweden	11.06½ - 11.15¼	11.13¼ - 11.14¼	¼-¼orepm	0.54	¼dis-¼pm	-0.02
Japan	253½ - 254½	253½ - 254½	1½-1¼ypm	6.2	3¼-3¼pm	5.22
Austria	21.05 - 21.12	21.05 - 21.08	9¾-8¼gropm	6.16	25¼-23¼pm	4.63
Switzerland	2.51½ - 2.53	2.51¾ - 2.52¾	1⅛-1¼cpm	6.24	3¼-3¼pm	5.46
ECU	1.4440 - 1.4500	1.4480 - 1.4490	0.51-0.48cpm	4.1	1.35-1.29pm	3.65

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.77-4.72cpm. 12 Month 8.15-8.05cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 12	% change from central rate	% spread vs weakest narrow band currency	Divergence indicator
Spanish Peseta	133.631	129.858	-2.82	3.40	59
Sterling	0.696904	0.687228	-1.39	1.98	[illegible]
French Franc	6.89509	6.91261	0.25	0.31	-11
Belgian Franc	42.4032	42.5126	0.26	0.30	-10
Irish Punt	0.767417	0.769497	0.27	0.29	-10
Danish Krone	7.84195	7.87156	0.38	0.18	-15
German D-Mark	2.05586	2.06457	0.42	0.14	[illegible]
Dutch Guilder	2.31643	2.32714	0.46	0.10	-20
Italian Lira	1538.24	1546.90	0.56	0.00	[illegible]

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Oct. 12	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14 - 13¾	13⅞ - 13¾	13⅞ - 13¾	13⅞ - 13¾	13½ - 13⅜	13 - 12⅞
US Dollar	8 - 7¾	8¼ - 8	8¼ - 8⅛	8⅛ - 8	8⅛ - 8	8⅛ - 8
Can. Dollar	13 - 12¾	12¾ - 12½	12⅞ - 12¾	12⅞ - 12¾	12⅛ - 11⅞	11⅞ - 11⅝
D. Guilder	8½ - 7⅞	8¼ - 8	8¾ - 8⅝	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8¾
Sw. Franc	7⅞ - 7⅝	7⅞ - 7⅝	7⅞ - 7⅝	8 - 7⅞	8⅛ - 8	8⅛ - 8
Deutschmark	8⅝ - 8½	8⅝ - 8½	8¾ - 8⅝	8⅞ - 8¾	9 - 8⅞	9¼ - 9⅛
Fr. Franc	9¾ - 9½	9½ - 9¼	9⅝ - 9½	10 - 9⅞	10¼ - 10	10½ - 10⅜
Italian Lira	13 - 11	10¼ - 9¾	10⅞ - 10⅝	11 - 10⅞	11½ - 11	12 - 11½
Belgian Franc	8¾ - 8½	9 - 8¾	9 - 8¾	9 - 8¾	9¼ - 9⅛	9¼ - 9⅛
Yen	7⅞ - 7⅝	7⅞ - 7⅝	8 - 7⅞	8⅛ - 8	8⅛ - 8	8⅛ - 8
D.Krone	9½ - 9¼	9½ - 9¼	10½ - 10¼	10½ - 10¼	10½ - 10¼	10½ - 10¼
Asian $Sing	8½ - 8¼	8½ - 8⅜	8½ - 8⅜	8½ - 8⅜	8½ - 8⅜	8½ - 8⅜

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 8⅞-8¾ per cent; four years 9⅛-8⅞ per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.12	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.974	2.995	254.0	10.038	2.523	3.378	2245.	2.263	61.80
$	0.507	1	1.517	128.7	5.085	1.278	1.711	1137	1.146	31.31
DM	0.334	0.659	1	84.81	3.352	0.842	1.128	749.6	0.756	20.63
YEN	3.937	7.772	11.79	1000.	39.52	[illegible]	13.30	8839	8.909	243.3
F Fr.	0.996	1.967	2.984	253.0	10.	2.513	3.365	2237	2.254	61.57
S Fr.	0.396	0.782	1.187	100.7	3.979	1	1.339	889.8	0.897	24.49
H Fl.	0.296	0.584	0.887	75.19	2.972	0.747	1	664.6	0.670	18.29
Lira	0.445	0.879	1.334	113.1	4.471	1.124	1.505	1000.	1.008	27.53
C $	0.442	0.872	1.323	112.2	4.436	1.115	1.492	992.0	1	27.31
B Fr.	1.618	3.194	4.846	411.0	16.24	4.083	5.466	3633	3.662	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Bank affirms 14%

A UK inflation rate of nearly 11 per cent and warnings from Mr John Major, chancellor of the exchequer, that bank base rates are unlikely to fall again until next year pushed wholesale rates slightly higher on the London money market yesterday. Nevertheless the Bank of England showed some concern about a downward sloping yield curve. It decided to underpin the current base rate level in market operations by not buying bills but providing assistance through lending to the discount houses at the minimum lending rate of 14 per cent.

UK clearing bank base lending rate
14 per cent
from October 8, 1990

Three-month sterling interbank rose to 13⅞-13¾ per cent from 13⅞-13⅝, while 12-month money was quoted at 13-12⅞ against 13-12⅞.

Short sterling futures moved in line with cash market rates. December delivery opened weaker on Liffe at 86.84 and after trading in a narrow range closed at 86.84 against 86.88 previously.

A day-to-day credit shortage of £450m was initially forecast for the money market by the Bank of England, but this was revised to £500m. The authorities did not operate in the market during the morning and did not invite bill offers in the afternoon, but provided late assistance by lending £250m to the discount houses at 14 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £649m, with a rise in the note circulation absorbing £475m, and bank balances below target £135m. These outweighed exchequer transactions adding £810m to liquidity.

At the weekly Treasury bill tender the average rate of discount on 91-day bills fell to 13.0309 from 14.1447 per cent. The top accepted rate of discount declined to 13.0558 from 14.1588 per cent. This was equal to a price of £96.745 and bids at that level received around 57 per cent of the amount applied for. The £250m bills on offer attracted bids of £1.719bn.

The average rate on £200m of 182-day bills fell to 12.2972 from 13.5872 per cent, and the top accepted rate declined to 12.3338 from 13.5872 per cent. Applications at the lowest accepted price of £93.850 were allotted around 12 per cent of the amount applied for.

On 63-day bills the average rate fell to 13.3942 from 14.3784 per cent, and applications at the top accepted rate of 13.4123 per cent received 42 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.12) 3 months US dollars		6 months US Dollars	
bid 8⅛	offer 8¼	bid 8⅛	offer 8¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	7.55	Three year	8.16
Broker loan rate	9¾	Two month	7.48	Four year	8.36
Fed.funds	7⅝	Three month	7.36	Five year	8.47
Fed.funds at intervention	–	Six month	7.52	Seven year	8.74
		One year	7.60	10-year	8.86
		Two year	7.95	30-year	9.03

Oct.12	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.05-8.10	8.25-8.30	8.20-8.35	8.50-8.60	8.60-8.75	8.00
Paris	9¾-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-10	10⅛-10⅜	9.50
Zurich	6⅞-7⅛	7⅛-7¾	–	7⅞-8⅛	–	–
Amsterdam	7.88-8.00	8.22-8.28	–	8.45-8.52	–	–
Tokyo	7⅞-7⅞	7⅞-7⅞	–	8⅛-8⅛	–	–
Milan	9⅞-10⅛	11⅛-11⅛	–	11⅛-11⅛	–	–
Brussels	9.75	8⅞-8⅞	–	8⅞-9	–	–
Dublin	10⅛-10⅜	10⅛-10½	10⅛-10⅛	10⅛-10⅛	10⅛-10⅛	–

LONDON MONEY RATES

Oct 12	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	13⅞	13⅞	13¾	13½	13
Interbank Bid	13¾	13⅞	13⅞	13⅝	13⅜	12⅞
Sterling CDs	–	–	13⅞	13⅞	13⅜	13
Local Authority Deps.	13¾	13¾	13⅞	13¾	13⅜	13⅛
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps.	14	13¾	13⅞	13¾	–	–
Company Deposits	–	–	13⅞	13⅞	13⅜	13
Finance House Deposits	–	–	13⅞	13¾	13⅜	12⅞
Treasury Bills (Buy)	–	–	13⅝	13¼	–	–
Bank Bills (Buy)	–	–	13⅝	13⅜	12⅞	–
Fine Trade Bills (Buy)	–	–	14⅛	13⅞	13⅜	–
Dollar CDs	–	–	8.18	8.18	8.18	8.19
SDR Linked Dep. Offer	–	–	9⅛	9⅛	9⅛	9⅜
SDR Linked Dep. Bid	–	–	9	9⅛	9⅛	9⅛
ECU Linked Dep. Offer	–	–	9⅞	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	–	–	9⅞	10	10⅛	10⅛

Treasury Bills (sell): one-month 13⅜ per cent; three months 13⅛ per cent; six months 13⅛ per cent; Bank Bills (sell): one-month 13⅝ per cent; three months 13⅜ per cent; Treasury Bills; Average tender rate of discount 13.0309 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 8, 1990. Agreed rates for period Oct 24, 1990 to Nov 25, 1990, Scheme I: 15.78 p.c., Schemes II & III: 16.21 p.c. Reference rate for period Sept 1, 1990 to Sept 28, 1990, Scheme IV&V: 14.955 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from October 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent; one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 12 per cent; Under £100,000 11½ per cent from Oct 9, 1989, Deposits withdrawn for cash 5 per cent.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
81	3-42	4-35	0-14	0-43
82	2-53	3-52	0-25	0-60
83	2-05	3-09	0-42	1-17
84	1-30	2-35	1-02	1-43
85	0-62	2-02	1-34	2-10
86	0-40	1-36	2-12	2-46
87	0-25	1-14	2-61	3-22
88	0-15	0-59	3-51	4-03

Estimated volume total, Calls 1680 Puts 2455
Previous day's open int. Calls 19485 Puts 25150

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
85	4-11	4-17	0-27	0-61
86	3-22	3-30	0-38	1-18
87	2-38	2-42	0-54	1-42
88	1-60	2-38	1-12	2-08
89	1-30	1-61	1-48	2-41
90	0-60	1-35	2-12	3-15
91	0-40	1-14	2-56	3-58
92	0-26	0-60	3-42	4-40

Estimated volume total, Calls 135 Puts 51
Previous day's open int. Calls 1799 Puts 1778

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
7950	1.93	2.22	0.28	0.73
8000	1.54	1.88	0.39	0.89
8050	1.16	1.57	0.51	1.08
8100	0.85	1.31	0.70	1.32
8150	0.61	1.09	0.96	1.60
8200	0.42	0.89	1.27	1.90
8250	0.27	0.72	1.62	2.23
8300	0.17	0.58	2.02	2.59

Estimated volume total, Calls 4369 Puts 10113
Previous day's open int. Calls 50674 Puts 89628

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9050	0.83	0.77	0.02	0.08
9075	0.59	0.57	0.03	0.13
9100	0.37	0.39	0.06	0.20
9125	0.19	0.26	0.12	0.32
9150	0.06	0.15	0.25	0.46
9175	0.02	0.08	0.46	0.64
9200	0	0.04	0.69	0.85
9225	0	0.02	0.94	1.08

Estimated volume total, Calls 450 Puts 509
Previous day's open int. Calls 14689 Puts 20056

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9100	0.99	1.16	0.01	0.04
9125	0.75	0.94	0.02	0.07
9150	0.52	0.72	0.04	0.10
9175	0.31	0.54	0.08	0.17
9200	0.16	0.38	0.18	0.26
9225	0.08	0.25	0.35	0.38
9250	0.04	0.16	0.56	0.54
9275	0.02	0.10	0.79	0.75

Estimated volume total, Calls 280 Puts 0
Previous day's open int. Calls 3415 Puts 2402

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8600	0.89	1.94	0.05	0.04
8625	0.67	1.71	0.08	0.06
8650	0.47	1.48	0.13	0.08
8675	0.32	1.26	0.23	0.11
8700	0.20	1.05	0.36	0.15
8725	0.12	0.86	0.53	0.21
8750	0.07	0.69	0.73	0.29
8775	0.04	0.53	0.95	0.38

Estimated volume total, Calls 1840 Puts 3104
Previous day's open int. Calls 70673 Puts 48866

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	84-14	84-23	84-04	84-13
Mar	84-28	84-30	84-25	84-28
Jun	85-09			85-09

Estimated volume 17326 (19108)
Previous day's open int. 30395 (29658)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	88-24	89-08	88-11	88-24
Mar	88-10			88-10
Jun	87-30			87-29

Estimated volume 4162 (3659)
Previous day's open int. 7620 (7838)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	81.15	81.40	80.91	80.90
Mar	80.99	81.02	80.92	80.73
Jun	80.94			80.68

Estimated volume 29985 (24718)
Previous day's open int. 94610 (93400)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	90.08	90.08	89.79	89.40
Mar	90.06			89.45

Estimated volume 96 (79)
Previous day's open int. 615 (590)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	86.84	86.90	86.80	86.88
Mar	87.90	87.95	87.80	87.85
Jun	88.49	88.50	88.44	88.45
Sep	88.57	88.61	88.53	88.59
Dec	88.44	88.40	88.41	88.50
Mar	88.29	88.30	88.18	88.33
Jun	88.16	88.16	88.12	88.25
Sep	88.15	88.15	88.12	88.25
Dec	88.21	88.23	88.20	88.30
Mar	88.24			88.33
Jun	88.24			88.33
Sep	88.26			88.35

Est. Vol. (inc. figs. not shown) 33426 (34095)
Previous day's open int. 154572 (154073)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	91.98	92.02	91.95	91.96
Mar	92.12	92.15	92.10	92.09
Jun	92.04	92.04	92.02	92.01
Sep	91.84	91.82	91.82	91.81
Dec	91.48			91.48
Mar	91.33			91.37
Jun	91.18			91.21
Sep	91.05			91.12

Est. Vol. (inc. figs. not shown) 5725 (4747)
Previous day's open int. 39769 (40251)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	91.32	91.34	91.29	91.29
Mar	91.19	91.21	91.18	91.17
Jun	91.17	91.19	91.16	91.14
Sep	91.13	91.14	91.11	91.09
Dec	91.12	91.09	91.09	91.08
Mar	91.14	91.06	91.06	91.10
Jun	91.14			91.10
Sep	91.14			[illegible]

Estimated volume 6136 (5261)
Previous day's open int. 61059 (59508)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	89.89	[illegible]	[illegible]	89.85
Mar	89.92			89.91
Jun	90.01			90.08
Sep				

Estimated volume 10 (67)
Previous day's open int. 1161 (1171)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2157.0	2168.0	2146.0	2157.6
Mar	2195.0	2190.0	2190.0	2176.8
Jun				

Estimated volume 4029 (7059)
Previous day's open int. 25725 (25259)

POUND - $ FOREIGN EXCHANGE

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9740	1.9647	1.9485	1.9265	1.8930

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Dec	1.9580	1.9580	1.9520	1.9610
Mar	1.9350	1.9340	1.9250	1.9380
Jun	1.9190	-	1.9120	1.9190

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	88-24	88-25	88-05	88-08
Mar	88-09	88-13	87-25	87-26
Jun	87-26	87-31	87-16	87-13
Sep	[illegible]	[illegible]	87-15	87-00
Dec	87-00	87-00	[illegible]	[illegible]
Mar	86-21	86-21	86-21	86-09
Jun	86-11	86-11	86-11	85-31
Sep	85-22	-	-	85-22
Dec	85-13	-	-	85-13
Mar	-	-	-	-
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	93.28	93.29	93.25	93.28
Mar	93.46	93.46	93.44	93.46
Jun	93.40	-	-	93.40
Sep	93.23	-	-	93.23
Dec	92.93	-	-	92.93

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7837	0.7841	0.7790	0.7876
Mar	0.7830	0.7835	0.7795	0.7874
Jun	0.7870	-	0.7800	0.7870
Sep	0.7860	-	-	0.7860

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7774	0.7777	0.7754	0.7727
Mar	0.7759	0.7769	0.7751	0.7722
Jun	0.7715	0.7750	-	0.7715

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6585	0.6590	0.6558	0.6604
Mar	0.6571	0.6571	0.6550	0.6594
Jun	0.6579	-	-	0.6579

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	91.99	92.03	91.94	91.95
Mar	92.13	92.15	92.09	92.08
Jun	92.04	92.07	92.01	92.00
Sep	91.83	91.86	91.80	91.80
Dec	91.47	91.49	91.46	91.45
Mar	91.33	91.35	91.31	91.31
Jun	91.17	91.18	91.16	91.15
Sep	91.04	91.06	91.04	91.03

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	297.35	-	-	297.55
Mar	299.75	-	-	299.75
Jun	302.50	-	-	302.50

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.875	10.00	10.00	10.09	10.47	-	0.43	1.11	3.20
1.900	7.50	7.70	7.95	8.61	-	0.84	1.75	4.14
1.925	5.00	5.67	6.09	6.98	-	1.40	2.47	5.23
1.950	2.50	3.36	4.52	5.40	-	2.20	3.32	6.51
1.975	0.51	2.42	3.27	4.45	0.25	3.45	4.85	7.96
2.000	-	1.75	2.30	-	2.22	5.01	6.43	-
2.025	-	1.07	1.65	-	4.69	6.84	8.13	-

Previous day's open int: Calls 394,329 Puts 399,629 (All currencies)
Previous day's volume: Calls 25,272 Puts 21,919 (All currencies)

20 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int
December	97.28	97.34	+0.28	97.40	97.22	10.49	61,142
March	97.18	97.18	+0.20	97.26	97.14	10.50	10,705
June	97.16	97.16	+0.22	97.28	97.16	10.51	1,226
September	-	-	-	-	-	10.65	0

Estimated volume 50,360 Total Open Interest 73,073

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Dec.	Calls March	Calls June	Puts Dec.	Puts March	Puts June
95	-	-	-	0.45	1.05	-
96	-	-	2.90	0.67	1.34	1.74
97	1.31	1.90	2.30	1.02	1.72	2.20
98	0.82	1.41	-	1.49	-	-
99	0.48	-	-	-	-	-
100	0.27	0.77	-	2.94	-	-
Open int	135,536	26,426	3,560	155,494	42,689	3,470

Estimated volume 35,326 Total Open Interest 366,177

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int
December	90.01	90.05	+0.08	90.06	90.00	9.95	17,088
March	89.99	90.05	+0.11	90.05	89.98	9.95	5,209
June	89.95	90.01	+0.11	90.01	89.92	9.99	1,062
September	-	-	-	-	-	10.04	290

Estimated volume 9,459 Total Open Interest 23,649

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open int
October	1550.0	1589.0	+45.0	1590.0	1546.0	10,971
November	1553.0	1571.5	+22.5	1571.5	1553.0	834
December	1588.0	1598.0	+4.0	1598.0	1588.0	442
March	-	-	-	-	-	0

Estimated volume 7,461 Total Open Interest 12245

BANK RETURN

BANKING DEPARTMENT	Wednesday October 10, 1990	Increase or decrease for week	
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	42,910,053	-	4,989,742
Bankers Deposits	1,770,550,504	+	58,088,151
Reserve and other Accounts	2,072,063,938	-	191,980,499
	3,900,077,495	-	138,882,090
ASSETS			
Government Securities	1,404,988,113	+	11,220,000
Advance and other Accounts	816,808,728	+	82,710,512
Premises Equipment & other Secs	1,666,509,676	-	241,582,719
Notes	12,375,788	+	8,754,870
Coin	195,208	-	3,753
	3,900,077,495	-	138,882,090
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,637,624,232	-	68,754,870
Notes in Banking Department	12,375,788	+	8,754,870
	15,650,000,000	-	60,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	12,782,285,069	+	669,530,482
Other Securities	2,856,699,831	-	729,530,482
	15,650,000,000	-	60,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	15½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	16
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd	15½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc	16½	● Smith & Williamson Secs	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co	15	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptrs	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	15
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	15½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Westpac Bank Corp	14
Benchmark Bank	15	● Hill Samuel	§14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcash Deposit Fd	13.60	–	14.40	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	13.70	–	14.42	3-Mth
Cent. Bd. of Fin. of Church of England††				
2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	13.75	–	14.48	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			071-236 1425	
Call Fnd	13.94	10.87	14.89	6-Mth
7-day Fund	13.42	10.47	14.32	6-Mth
Special Fund	13.79	10.69	15.07	1-Mth
Dealer	6.75	5.26	7.15	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc	12.40	9.75	13.48	Qtr
Mthly Chq £2,000-£4,999	12.50	9.75	13.60	Mth
Mthly Int Chq £5,000-£49,999	13.00	10.14	14.16	Mth
M45 Int Chq £50,000+	13.50	10.53	14.73	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London EC4N 5AD			071-[illegible]	
CMMA (£2,001+)	13.95	10.88	15.25	Mth
TOMMA (£2,001+)	14.25	11.12	15.60	Mth
HICA (£2,001+)	12.90	10.06	14.05	Mth
PRCMMA (£250,001+)	13.95	10.88	15.25	–
American Express Bank Ltd				
c/o American Express Financial Services Limited, 49 The Martlets, Burgess Hill, West Sussex, RH15 9NW			0444 870080	
High Performance Cheque Account				
£1,000-£4,999	12.16	9.50	12.87	Mth
£5,000-£9,999	12.30	9.60	13.01	Mth
£10,000-£24,999	12.81	10.00	13.59	Mth
£25,000+	13.58	10.60	14.46	Mth
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			0753 516516	
£2,000-£9,999	12.179	9.500	13.125	Qtr
£10,000+	12.500	9.750	13.483	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			071-601 6746	
MM Chq Ac £2,500-£24,999	12.15	9.47	13.20	Mth
£25,000+	12.65	9.86	13.77	Mth
Barclays Capital Advantage Account				
PO Box 120 Westwood Bs Pk, Coventry			0203 694242	
£10,000-£24,999	14.00	10.90	15.13	Qtr
£25,000-£49,999	14.25	11.20	15.57	Qtr
£50,000+	14.50	11.40	15.87	Qtr
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton			0604 252891	
£2,000-£2,499	11.80	9.20	12.70	Qtr
£2,500-£9,999	12.30	9.50	13.13	Qtr
£10,000-£24,999	12.80	10.00	13.84	Qtr
£25,000+	13.30	10.25	14.30	Qtr
Benchmark Bank PLC Premier Account				
86 Newman Street, W1P 3LD			071-631 3313	
Small Deposits	9.50	–	–	–
£2,500-£10,000	12.50	9.75	13.48	Qtr
£10,001-£20,000	12.75	9.95	13.76	Qtr
£20,000+	13.50	10.53	14.60	Qtr
B & C Merchant Bank PLC Portfolio Acc				
19 Motcomb Street, London SW1X 8LB			071-245 6616	
£2,500-£9,999	11.375	8.901	11.87	Qtr
£10,000-£49,999	12.75	9.98	13.37	Qtr
£50,000 and above	13.25	10.37	13.925	Qtr
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2			071-606 9833	
HICA	13.00	10.14	14.00	Qtr
Prof Demand A/c	12.375	9.65	13.34	Qtr
Caledonian Bank Plc				
8 St Andrew Square, Edinburgh EH2 2PP			031 556 8235	
HICA	13.50	10.53	14.04	Yearly
Cater Allen Ltd				
20 Birchin Lane, London EC3V 9DJ			071-623 2070	
HICA	12.50	9.75	13.3970	Mth
Content £5,000 min	13.00	10.14	14.1664	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH			071-248 4000	
£2,500-£19,999	12.25	9.56	13.31	Mth
£20,000-£49,999	12.50	9.75	13.60	Mth
£50,000-£99,999	12.75	9.95	13.88	Mth
£100,000+	13.00	10.14	14.17	Mth
$5,000-$49,999	6.50	5.07	6.92	Mth
$50,000-$99,999	6.75	5.29	7.19	Mth
$100,000-$199,999	7.00	5.46	7.47	Mth
$200,000+	7.25	5.66	7.74	Mth
Many other currencies are available—for rates please phone ext. 2168				
Citibank Savings				
St Martins Hse, Hammersmith Grove W6			081-742 4941	
Money Market Plus				
£2,000-£24,999	11.00	8.50	11.70	Mth
£25,000	11.50	9.00	12.51	Mth
Clydesdale Bank PLC				
30 St Vincent Place, Glasgow G1 2HL			041 248 7070	
HICA £2,000-£9,999	11.2	8.74	12.04	Qtr
£10,000-£19,999	12.00	9.36	12.92	Qtr
£20,000-£49,999	12.2	9.52	13.15	Qtr
£50,000+	12.7	9.91	13.71	Qtr
Co-operative Bank Top Tier				
78-80 Cornhill EC3			0800 616162	
£50,000+	13.7	10.75	14.17	6-Mth
£10,000-£49,999	13.4	10.5	[illegible]	6-Mth
£2,500-£9,999	12.1	9.5	13.0	6-Mth
£1,000-£2,499	11.5	9.0	12.3	6-Mth
£500-£999	10.2	8.0	10.9	6-Mth
Coutts & Co				
Reserve Account				
440 Strand, London WC2R 0QS			071-753 1000	
For personal customers				
£50,000+	13.375	10.125	14.02	Qtr
£30,000-£49,999	13.25	10.00	13.84	Qtr
£5,000-£29,999	12.75	9.625	13.30	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	13.625	10.625	14.34	Qtr
£25,000-£99,999	13.50	10.375	14.38	Qtr
£10,000-£24,999	12.50	9.875	13.66	Qtr
Coutts Companies Account for clients money				
27 Bush Lane, London EC4R 0AA			071-623 3434	
Rates negotiable up to	13.5	10.5	–	–
Dartington & Co Ltd				
10 The Crescent, Plymouth PL1 3AB			0752 673873	
Money Mkt Acc	13.00	10.14	14.05	Qtr
Edington Plc				
1 King Street Manchester M2 6AW			061 834 2535	
NICA (£1,000+)	13.3125	10.38	14.34	Qtr
Money Market Deposit Account-Instant Access				
£1-£999	9.125	7.12	9.81	Mth
£1,000-£24,999	13.125	10.24	14.31	Mth
£25,000-£249,999	13.5625	10.58	14.81	Mth
£250,000-£999,999	13.75	10.73	15.03	Mth
£1,000,000 upwards	13.75	10.73	15.03	Mth
Ninety Day Notice Account				
£10,000-£24,999	14.125	11.02	14.60	Yearly
£25,000 upwards	14.50	11.31	15.08	Yearly
Financial & General Bank plc				
13 Lowndes Street, London SW1X 9EX			071-235 0036	
N I D A £50,000	14.20	10.92	14.69	Qtr
N I D A £10,000-£50,000	13.85	10.82	14.325	Qtr
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX			071-236 1425	
Money Mngt. Acct.	13.25	10.34	14.33	3-Mth
Girobank plc High Interest Cheque Acc				
10 Milk St, London EC2V 8JH			071-600 6020	
£1,000-£3,999	10.75	8.25	12.33	Yearly
£4,000-£9,999	11.00	8.50	12.07	Yearly
£10,000-£49,999	11.75	10.00	13.13	Yearly
£50,000	12.75	10.50	14.00	Yearly
Humberclyde Finance Group				
Chalky Ct, Winchester St, Basingstoke			0256 841863	
£50,000+	14.00	10.92	15.17	Qtr
Lloyds Bank — Investment Account				
71 Lombard St, London EC3P 3BS			071-[illegible]	
£50,000 and above	13.3	10.4	14.1	Yearly
£25,000+	13.2	10.3	14.0	Yearly
£10,000+	12.9	10.1	13.5	Yearly
£5,000+	12.7	9.9	12.4	Yearly
Below £5,000	6.0	4.5	6.0	Yearly
M & G/Kleinwort Benson				
M & G Hse, Victoria Rd, Chelmsford			0245 266266	
H I C A (£2,500+)	12.25	9.560	13.327	Daily
Midland Bank plc				
PO Box 2, Sheffield			0742 528655	
High Int Chq Acc	12.18	9.50	12.81	Qtr
£10,000+	12.82	10.00	13.84	Qtr
£25,000+	13.46	10.50	14.56	Qtr
Premier Savings £5,000+	14.10	11.00	15.07	6-Mth
Enterprise Acc. £20,000+	14.74	11.50	15.77	6-Mth
£25,000+	15.05	11.75	16.13	6-Mth
NatWest Special Reserve Account				
41 Lothbury, London EC2P 2BP			071-[illegible]	
£25,000 and above	13.25	10.00	13.86	Qtr
£10,000 to £24,999	12.75	9.625	13.30	Qtr
£2,000-£9,999	12.5	9.375	12.99	Qtr
£500-£1,999	11.75	9.00	12.41	Qtr
Provincial Bank PLC				
30 Ashley Rd, Altrincham, Cheshire			061 928 9011	
H I C A (£1,000+)	13.125	10.24	14.31	Mth
Royal Bank of Scotland plc Premium Acc				
42 St Andrew Sq, Edinburgh EH2 2YE			031-[illegible]	
£50,000+	12.96	10.10	14.00	Qtr
£25,000-£49,999	12.76	9.95	13.77	Qtr
£10,000-£24,999	12.57	9.80	13.56	Qtr
£2,500-£9,999	11.48	8.95	12.38	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB			0708 766966	
H I S A	12.50	9.75	13.06	Daily
Sterling Bank & Trust Ltd				
Abbey Gdns, 6 Abbey St, Reading RG1 3BA			0734 592549	
HIDA £2,500+	14.50	11.31	15.31	6-Mth
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol			0272 744720	
Demand Acc	12.75	9.95	13.76	Qtr
HIDA	13.00	10.14	14.04	Qtr
HIDA £100,000+	13.25	10.34	14.32	Qtr
Client Plus Acc	12.25	9.56	12.70	Qtr
United Dominions Trust Ltd				
PO Box 135 Abbey St, Reading RG1 3EB			0734 580411	
Capital Plus Cheque Account				
£1,000+	13.60	10.61	14.31	–
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside, London EC2V 6DS			071-382 6000	
Special Acc	12.75	9.94	13.00	Mth
£10,000 and above	13.00	10.14	14.16	Mth
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE			0752 224141	
£25,000+	13.50	10.53	14.40	Qtr
£5,000-£24,999	13.25	10.34	14.32	Qtr
£1,000-£4,999	13.00	10.14	14.04	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE			071-606 9485	
High Int Cheque Acc	14.50	11.31	15.73	Qtr

NOTES—Gross rate is those current from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR. Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr. frequency interest credited.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes *the day's highest and lowest dealings.*

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 2189

Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) - £103¾ 4 ¾ ¾

Corporation and County Stocks
No. of bargains included 3

Greater London Council 6¾% Stk 90/92 - £92¼

[illegible]

UK Public Boards

[illegible]

Commonwealth-Government

[illegible]

Foreign Stocks, Bonds, etc-(coupons payable in London)

[illegible]

Corporation Stocks – Foreign
No. of bargains included nil

Nictheroy(City of)7%gtd Stg Bds(A-£500,B-£100)A-2¼% - 270 (9Oc90)

Sterling Issues by Overseas Borrowers
No. of bargains included 54

[illegible]

Banks and Discount Companies

[illegible]

Breweries and Distilleries

[illegible]

Commercial, Industrial, etc

[illegible]

Financial Trusts, Land, etc

[illegible]

Insurance

[illegible]

Investment Trusts

[illegible]

Mines – South African

[illegible]

Oil

[illegible]

Property

[illegible]

Plantations

[illegible]

Railways

[illegible]

Shipping

[illegible]

Utilities

[illegible]

Unit Trusts

[illegible]

Mines – Miscellaneous

[illegible]

Water

[illegible]

Miscellaneous Warrants

[illegible]

USM Appendix

[illegible]

The Third Market Appendix

[illegible]

Rule 535(2)

[illegible]

LONDON STOCK EXCHANGE

Uncertain close to a nervous week

A DOWNBEAT ending to a turbulent week left the UK stock market largely unaffected by hints of encouraging developments in the Gulf which inspired a sudden uptick as Wall Street moved into the new trading session. The London market managed to hold on to the FT-SE 2,100 mark, *despite the latest UK inflation* data, but it lacked inspiration at the close of business.

Equities opened lower following falls overnight on both the New York and Tokyo markets which themselves reflected the underlying concern on the political and military atmosphere in the Gulf. During London trading hours,

Account Dealing Dates		
*First Dealings:		
Sep 24	Oct 8	Oct 22
Option Declarations:		
Oct 4	Oct 18	Nov 1
Last Dealings:		
Oct 5	Oct 19	Nov 2
Account Day:		
Oct 15	Oct 29	Nov 12

*New-time dealings may take place from 8.30 am two business days earlier.

oil prices were a shade easier and sterling little changed.

The market remained weak as it waited for news of last month's UK retail prices index. In the event, an inflation rate of 10.9 per cent was close to most City forecasts – the figure was a *shade* higher than most expectations – and the general market view is that the inflation rate will turn down sharply early next year.

Government bonds made little response to the inflation news, with the longer end *of* the sector closing virtually unchanged. Expectations of a fall in inflation next year are counter-balanced by hints that *funding* moves in the gilts market are planned by the UK government, a prospect which could prompt a strong response in a bond market currently starved of stock.

A stock market down by nearly 13 Footsie points edged higher as London waited for *the opening of the new Wall* Street session. In the event, New York turned higher only at the very end of the London trading session.

The UK market closed 1.8 down on the FT-SE Index for a final reading *of 2,100.4. The* London market has recorded a fall of 43.5 points, or 2 per cent since Friday's final quotation; but measured against the Footsie quotation at 4pm last Friday, just before the ERM and base rate news hit the stock market, the Footsie is still some 50 points ahead. This week has seen seen the UK equity market responding somewhat uncertainly to the government's decision on ERM entry, *the timing of which* caught the market by surprise.

Equity trading volume was relatively brisk yesterday, with 376m shares moving through the Seaq system, against 361.3m on Thursday.

Volume data from the International Stock Exchange showed that retail business remained high as investors responded to the ERM and interest rate developments; Thursday's retail total was £915.2m, well above average for the past few months.

The uncertain trend of the past week has indicated that the crisis in the Middle East, and particularly the trend in global oil prices, have returned *to be significant factors in the* London market.

Metal prices hit Lonrho

The weakening price of platinum was blamed for dullness in Lonrho, the world's third-largest producer, through its subsidiary Western Platinum (South Africa). *Platinum* has fallen to a 4½-year low, and there are fears in world markets that it could fall further. Metal market sources believe that Japanese investors, seeking funds to meet commitments in domestic securities markets, have been the *chief sellers of the metal.* Business in Lonrho shares was fairly brisk with some 1.7m changing hands. They closed 8 down at 205p. Impala Platinum fell 29 to 728p and Rustenburg 17 to 889p.

International mining group RTZ, however, moved in the opposite direction, pulling away from the recent low for the year. Two UK investment houses have recently either reduced profits expectations or changed stance on RTZ, and considerable intra-market business developed yesterday. Some retail interest was reported, but a trader said this was outweighed by professional covering of short positions. RTZ shares eventually recovered 17 to 418p on volume of 2.4m shares.

News Corp Denial

Caution over prospects for News Corporation, the Australian media multinational, filtered through to Pearson shares. Banks confirmed that *some institutions* were exercising their rights to exchange News Corp 7% Guaranteed Sterling Exchangeable Preference Shares due 1999. They are convertible either into Pearson shares or cash, at News Corp's discretion.

Those who bought the instrument on *issue, in February* 1988, and who received cash yesterday would be showing a loss of around 25 per cent, said convertibles traders. Analysts explained that the uncertain outlook for highly geared News Corp was tempting some institutions to reduce their *exposure to the company.*

Earlier in the day there were stories in the market that News Corp might be trying to sell part of its near 17 per cent stake in Pearson. The Australian company denied the suggestion, saying that the entire shareholding had been held in *a trust since* the 1988-89 financial year.

Pearson lost 19 to 621p on high turnover for the stock of 924,000. News International, owned by News Corporation and *quoted in London,* shed 9 *to 124p.*

Institutions bought Glaxo in the wake of the shares' sharp fall on Thursday on fears of Japanese competition for its money-spinning *ulcer drug* Zantac. Glaxo firmed 6 to 745p on steady turnover of 2m, less than one third of the previous day's level.

Uncertainty over what plans Laidlaw, the Canadian waste management and school bus group, might have for its 28.8 *per cent stake in ADT* left the latter weaker in the last hour of trading. ADT was 10 lower at one point and closed a net 8 off at 117p.

The big switching operations carried out on Thursday between Barclays, NatWest and TSB carried on yesterday with *the latter coming out of* the pack relatively unscathed and the other two under further pressure.

The banks sector overall was hit by increasing concerns over global banking caused by Chemical Bank's sharply reduced third quarter dividend announced after the London market had closed on Thursday. The dividend reduction, the first Chemical has instigated since the 1930s, follows a reduction by Chase *Manhattan* and brought more pressure to bear on the UK banks. NatWest, said to have an exposure to the New York property market, eased 2 more to 252p as 11m shares changed hands. Barclays dipped 5 to 349p on turnover of 8m.

Midland, also upset by a report that the probable merger with Hongkong & Shanghai Bank had been put on hold, dipped 5½ to 192p on what was described as miserable turnover of 2.5m. Lloyds hardened 2 to 281p. TSB eased a shade to 135p with nearly 9m *shares traded, while Abbey* managed a minor gain at 228½ on 3.8m.

Standard Chartered, still affected by its association with the troubled Polly Peck group, where it is said to be owed some £50m, lost 9 more to 273p.

Insurances were much quieter, *with the exception of* Willis Corroon which attracted some persistent US selling pressure to close 3 down at 191p.

A bear squeeze helped to reduce early losses among leading building shares, and *movements* resulted *in* just a small loss for many stocks. Blue Circle lost 3 to 219p, while Redland ended 2 *lower* at 566p. On the other hand, Tilbury Group moved up 10 to 458p, and George Wimpey added 5 to 214p.

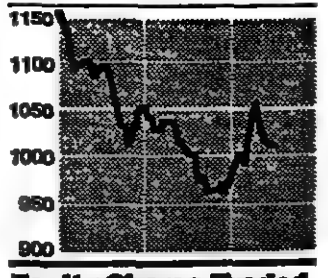
Amec moved up 2 to 195p after news of a 10m share acquisition in Trafford Park Estates, owner and operator of bonded warehouses, for 70p per share. The companies are currently working together on *joint projects,* and Amec said there was no intention of making a full bid. Trafford closed 2 firmer at 67p.

Davy Corporation reacted nervously to rumours *that* further provisions may be needed to cover completion of its Emerald Field (North Sea) contract. Mr Bob Bucknall of Smith New Court said: "I'm not surprised that the market should be worried, because contract negotiations on costs overruns are at a *critical* stage since the platform is due to be launched next week."

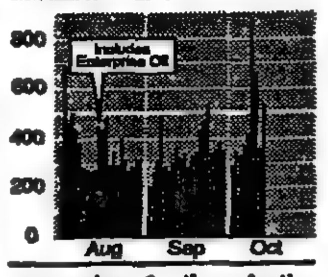
He said the potential was there for further downward revision over the next few weeks. Davy shares closed at the year's lowest of 109p, down 6.

The same investment house downgraded Simon Engineering on Thursday and the shares weakened noticeably yesterday to end 18 lower at 298p. Rolls-Royce drew support from business allied to technical activity in the traded options market and ended 2 *higher at 178½p.*

Expamet International also fell victim to a re-rating and dropped 15 to 187p. Estimates of company profits this year had centred around £16m until yesterday when a securities house moved nearer £14m. The



FT-A All-Share Index



Equity Shares Traded
Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover

reason given for the reduction was problems within the company's security components division.

The award of a substantial contract for the supply of reconnaissance and associated equipment boosted shares of Vinten 10 to 159p. The contract is valued at £20m, of which £10m will be of the Vinten group manufactured product. Deliveries are planned to commence in the first quarter of 1992.

Suggestions that US investors had been selling more stock kept the Racal twins under pressure. Electronics dropped 5 to 148p with turnover reaching 8.4m shares, well up on recent levels, and Telecom was 7 off at 258p.

GEC continued to suffer *from the recent downgrades,* which started with the cut by UBS Phillips & Drew and closed 4 off at 180½p on 7m shares. Downgrades also hit AB Electronics, 7 off at 131p.

Great Universal stores (GUS) suffered as UBS Phillips & Drew took a wary view of the *stock. Mr Charles Nichols said* the company was cash-rich and therefore lost out when interest rates fell, while its customers tended to be among those to lose their jobs when unemployment rose. GUS shed 17 to 1058p.

The announcement by Pentos that its was abandoning the Net Book Agreement by selling some titles at discount prices left competitor WH Smith 4 down at 360p. Pentos recovered from a decline of 3½ to end a penny off on balance at 108p.

An analysts' visit to Sears' Freemans operation pushed the shares 2 better to 83p.

Hillsdown added 2 to 273p on turnover of 4.4m as one institution continued to pick up large blocks of stock. Asda remained popular with brokers after the recent *one point cut in UK* interest rates. It finished a penny better at 127p as 4.5m changed hands.

Tate & Lyle eased 3 to 349p after the company denied that it had received US regulatory approval for Sucralose, its non-calorie sweetener. A company spokesman said Sucralose was still being considered by the Food and Drug Administration and it would be "months rather than weeks" before a *decision* was reached.

Unilever gained 6 to 650p as Kleinwort Benson reaffirmed its buy recommendation after visiting the company. Kleinwort analysts said Unilever's personal products division had not been affected by the economic slowdown, while its German interests continued to perform well.

Third quarter profits of £510m compared with £452m last time are expected by Kleinwort and are due on November 9. Unilever plc traded at a 3 per cent premium to the NV stock and this prompted some switching from the former into the latter.

Leading property stocks were firmer, but the rise was principally a mark-up rather than a reflection of fresh demand, and this was confirmed by the relatively light volume.

Hammerson 'A' rose 10 to 550p, recovering some of the recent losses sustained on fears of reduced overseas earnings due to sterling's strength, but only 184,000 shares were traded. Land Securities presented a similar story, rising 9 to 506p but with just 571,000 shares changing hands.

Raglan Property Trust dropped a penny to 3½p on news of a £11m loss for the full year. The final dividend was *abandoned, and the net asset* value was reduced to 3.2p per share from 11.8p. The company announced that its bankers would continue to provide financial support until September next year.

The inclusion of Tomkinsons, the carpet manufacturer, in the latest round of corporate profit reductions pulled the shares down 10 to 180p. James Capel, the agency broker, cut this year's estimate to £1.4m from £1.8m and that for 1991 to £1.2m. The adjustments essentially reflect the number of sheds (shops) pulling out of the market, said Capel.

Courtaulds benefited from a squeeze on *traders' short book* positions and, in thin trading, rose 7 to 320p. Trafalgar House gained 6 to 211p in similar circumstances.

Trilion, the USM-quoted provider of television facilities and producer of television programmes, fell 7 to 19p after *warning of a loss in the second* half. The company blamed "adverse trading conditions" and "the incorporation of start-upcosts of significant new operations".

Helene, a clothing maker and textile merchant, lifted interim profit from £1.6m to £1.9m and the shares firmed ½ to 18p.

Bullers, a maker of fine art and giftware, shed 2 to 7p after saying that a possible takeover of the company had been abandoned.

Oils disappointed and generally closed lower on the day after reports that Iraq had told the Soviet Union it might evacuate Kuwait territory. *Crude* prices closed around 20 cents a barrel lower over the session but November crude remained above the $40 a barrel mark.

BP dropped 5 to 349p on turnover of 9.5m while Shell eased 3 to 456p on 3.7m, still restrained by talk of a dividend-*stripping exercise carried* out late on Thursday by one of the *leading US investment* houses.

Enterprise was friendless and lost 3 to 666p after a broker's presentation. Lasmo retreated 9 to 459p after the company confirmed press reports of a joint venture in Libya.

Aviva dipped ½ to 11½p, leaving the shares 6½ off over the week still depressed by news that a trust run for the benefit of Aviva chairman Mr Laurence Hockey-Sweeney had sold its 17 per cent stake in the company.

Water stocks proved one of the *market's most resilient* areas, with a sprinkling of gains in the region of 2p common to Northumbrian at 236p, Southern at 207p, South West at 233p and Yorkshire at 240p.

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 11.

FINANCIAL TIMES STOCK INDICES

	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.97	79.97	79.98	80.22	80.74	83.79	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.99	88.98	88.97	89.14	88.50	94.08	92.91 (8/1)	85.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1622.6	1618.9	1626.7	1640.5	1705.7	1815.0	1968.3 (3/1)	1510.4 (24/8)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	170.9	172.5	175.9	178.2	179.3	204.7	378.5 (6/2)	167.9 (15/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2100.4	2102.2	2121.8	2134.1	2201.6	2233.9	2463.7 (3/1)	1990.2 (28/8)	2463.7 (3/1/90)	986.9 (23/7/84)

	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Year Ago
Ord. Div. Yield	5.90	5.90	5.85	5.82	5.60	4.51
Earning Yld %(full)	12.35	12.37	12.27	12.20	11.73	10.65
P/E Ratio(Net)(☆)	9.82	9.79	9.86	9.93	10.33	11.11
SEAQ Bargns 4.45pm	16,181	18,968	22,507	30,405	34,547	26,312
Equity Turnover(£m)†	-	1335.91	915.24	1746.00	2028.35	963.70
Equity Bargains†	-	20,112	21,118	31,905	49,912	26,515
Shares Traded (ml)†	-	529.7	350.2	659.6	881.0	413.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.86

Ordinary Share Index, Hourly changes — Day's High 1626.8 — Day's Low 1611.6

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1611.8	1616.1	1617.1	1613.6	1619.7	1621.6	1621.5	1625.7	1620.1

FT-SE, Hourly changes — Day's High 2106.9 — Day's Low 2089.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2091.0	2095.4	2094.3	2091.0	2099.4	2101.3	2100.9	2105.8	2097.2

GILT EDGED ACTIVITY

Indices*	Oct 11	Oct 10
Gilt Edged Bargains	99.6	92.3
5-Day average	116.9	112.4

*SE Activity 1974.
†Excluding intra-market business
§ Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	4,800	117	-6	Cookson	3,600	87	+2	MEPC	300	476	+12	Smith & Nephew	346	150	
ASDA Group	4,300	127	+1	Courtaulds	276	320	+7	Manpower	12	48½	+1½	SmKl Beecham	4,800	[illegible]	+4
Abbey National	3,800	228½	+½	Dalgety	57	305		Marks & Spencer	3,000	204	+1	SmKl Beecham Units	651	[illegible]	[illegible]
Allied-Lyons	587	463	+1	Dixons	202	144		Maxwell Comms	3,900	134	-6	Smiths Inds.	7	[illegible]	[illegible]
Amstrad	1,700	82	+1	ECC Group	247	330	-1	Midland Bank	2,500	192	-5½	South West Water	66	233	+3
Anglian Water	157	338	+1	Enterprise Oil	1,160	666	-3	NatWest Bank	11,000	252	-2	Southern Water	94	207	+3
Argos	846	240	+2	FKI	671	51	+1	Next	709	32		Standard Chart.	2,100	273	-9
Argyll Group	1,500	239	-1	Ferranti	433	19	+1	North West Water	105	232		Storehouse	633	139	+1
Ass. Brit. Foods	185	399	+1	Fisons	1,400	385	-8	Northern Foods	313	336	-1	Sun Alliance	1,200	312	+3
BAA	2,800	485	-5	Gen. Accident	144	482	-1	Northumbrian Water	61	236	+2	Sun Life	7	1016	-8
BAT Inds.	1,800	646	-6	General Elect.	7,600	180½	-4	Pearson	924	621	-19	T&N	774	183	+3
BET	864	213		Glaxo	2,000	745	+6	P & O	730	503	-1	TI Group	149	338	+1
[illegible]				[illegible]				[illegible]				[illegible]			
British Gas	3,700	235½	-1	[illegible]	176	184		Rothmans	234	[illegible]	-1	[illegible]			
British Land	666	265	+5	ICI	1,600	824	-2	Ryl Bk Scotland	1,300	148	-3	Water Package [illegible]	[illegible]	[illegible]	
BP	9,500	349	-5	Inchcape	165	271		Royal Insurance	708	288	+2	Wellcome	1,000	[illegible]	
British Steel	2,800	134½		Kingfisher	3,300	376	-3	RTZ	1,400	418	+17	Welsh Water	21	[illegible]	
British Telecom	4,300	275	+2	Ladbroke	3,400	280	+3	Saatchi	612	51	+1	Wessex Water	119	[illegible]	
Bunzl	563	65		Land Securities	571	506	+9	Sainsbury	857	307	-9	Whitbread 'A'	730	461	
Burmah Castrol	137	486	-3	Laporte	94	475	+1	Scottish & New.	275	349	+2	Wiggins Teape	602	[illegible]	
Burton	1,400	69	+1	Legal & General	540	391	-3	Sears	4,600	83	+2	Williams Hldgs.	378	221	
Cable & Wire.	1,400	412		Lloyds Abbey	454	332	+1	Sedgwick	1,100	166	-1	Willis Corroon	4,200	191	
Cadbury	1,100	330		Lloyds Bank	1,700	281	+2	Severn Trent Water	366	234	-1	Wimpey	625	214	
Calor Group	133	339	+1	LASMO	1,300	459	-9	Shell Transport	3,700	456	-3	Yorkshire Water	228	240	
Carlton Comms.	388	394	+1	Lonrho	1,700	205	-8	Siebe	67	278	-8				
Coats Viyella	620	185		Lucas	7,800	118	+2	Slough Ests	113	234	+6				
Comm. Union	488	475	-1	MB Group	615	160	+2	Smith (W.H.) A	1,600	360	-4				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (6).
BRITISH FUNDS (5) INDUSTRIALS (1) Silentnight.
NEW LOWS (539).
AMERICANS (37) CANADIANS (14) BANKS (11) BREWERS (3) BUILDINGS (40) CHEMICALS (3) STORES (9) ELECTRICALS (30) ENGINEERING (11) INDUSTRIALS (38) AGT, Abbeycrest, BTR Nylex, Brierley Invs., CSR, Cahill May Roberts, Cargo Count, Co. of Designers, Dover Corp., Electrolux, Elson, Erskine Hse. 7¼pc Pf., Expamet Intl., Fletcher Challenge, Grovewood, Huntingdon Intl., ISA Intl., Johnson Matthey, Lynx, Norfolk House, Pacific Dunlop, Stebo, Stotchley, Stora "B" Free, West Inds., Wilkes (J.), INSURANCE (7) LEISURE (2) NEWSPAPERS (4) PAPERS (6) PROPERTY (4) SOUTH AFRICANS (1) TEXTILES (3) TRANSPORT (3) TRUSTS (28) OILS (8) OVERSEAS TRADERS (1) MINES (38) THIRD MARKET (1).

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	35	16	42	137	228	105
Corpn. Dom. & Foreign Bonds	5	2	16	19	15	71
Industrials	246	360	964	1,852	2,180	3,774
Financial and Props	132	162	447	858	1,207	1,840
Oils	6	30	42	99	160	186
Plantations	0	1	9	2	4	44
Mines	13	77	65	75	[illegible]	411
Others	23	102	94	156	429	451
Totals	460	749	1,678	3,198	4,621	6,677

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday October 11 1990

Food Retailing	+	1.82	Conglomerates	-	20.06
Stores	+	0.24	Financial Group	-	20.24
Water	-	0.49	Chemicals	-	20.44
Oil & Gas	-	2.66	Insurance(Composite)	-	21.32
Brewers and Distillers	-	4.50	Textiles	-	22.77
Insurance(Life)	-	9.90	Capital Goods	-	23.81
Consumer Group	-	10.79	Investment Trusts	-	24.02
Packaging & Paper	-	12.77	Engineering-General	-	24.43
Health & Household Products	-	12.96	Contracting,Construction	-	25.45
Food Manufacturing	-	14.16	Publishing & Printing	-	25.45
Telephone Networks	-	14.31	Merchant Banks	-	26.22
500 Share Index	-	14.59	Property	-	26.31
Building Materials	-	14.82	Leisure	-	27.77
Metals & Metal Forming	-	14.98	Overseas Traders	-	28.07
All Share Index	-	15.83	Electricals	-	29.17
Engineering-Aerospace	-	16.50	Motors	-	30.00
Industrial Group	-	16.58	Other Industrial Materials	-	33.04
Banks	-	17.21	Insurance(Brokers)	-	33.14
Other Groups	-	19.15	Agencies	-	35.34
Transport	-	19.37	Gold Mines Index	-	35.84
Electronics	-	19.39			

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	102-30	+1/32	11.76	11.48	12.62
		9.000	03/00	86-14	+0/32	11.38	11.17	11.76
		9.000	10/08	84-29	+3/32	10.95	10.65	11.15
US TREASURY *		8.750	08/00	99-04	+9/32	8.88	8.68	8.81
		8.750	08/20	97-06	+15/32	9.02	8.83	8.96
JAPAN	No 119	4.800	6/99	83.2785	+0.538	8.07	8.15	8.30
	No 130	6.700	06/00	92.6423	+0.558	7.76	7.84	8.00
GERMANY		8.500	08/00	98.2250	+0.095	9.09	9.09	8.98
FRANCE	BTAN	9.000	11/95	95.1427	+0.194	10.25	10.39	10.22
	OAT	8.500	03/00	86.6500	+0.240	10.44	10.65	10.35
CANADA *		10.500	07/00	95.1750	+0.075	11.33	11.15	10.76
NETHERLANDS		9.000	07/00	98.5100	+0.010	9.23	9.28	9.14
AUSTRALIA		13.000	07/00	97.3299	+0.263	13.49	13.58	13.42

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Platinum price slide continues

RECESSION FEARS continued to weigh on the platinum market this week, pushing the *London bullion market* price down to a 4½-year low of $406.50 a troy ounce at one point. At yesterday's afternoon fix the price was set at $418 an ounce, down $33.75 on the week. The metal's $66.85-an-ounce fall since the Kuwait invasion at the beginning of August – contrasting with gold's $14.25 rise over the same period – has been cited as evidence that platinum has become predominately an *industrial metal,* rather than an investment medium. And since the manufacture of exhaust cleaning catalysts for the motor industry is now the biggest single use it is perceived to be particularly vulnerable to high oil prices.

However, platinum's recent price performance owes more to sentiment among speculators than to considered fundamental analysis of the actual level of industrial demand for the metal, according to Johnson Matthey, the biggest platinum marketing company. It says imports into Japan, the biggest platinum buyer, have been holding at last year's level, while overall industrial demand is running at a record level.

Silver, the other industrial/precious metal, has suffered a similar fate over the past two months. A 35-cent fall this week left the *spot* price at 434 cents a troy ounce, down 50 cents since the Kuwait invasion. At one point yesterday morning the price reached a *14-year low of 411.50* cents an ounce, but it had become over-sold and short-covering emerged to steady the market.

At the London Metal Exchange the sterling-denominated copper and lead markets

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	-1,775	to 141,625
Copper	+5,750	to 193,375
Lead	+1,750	to 44,560
Nickel	+72	to 3,312
Zinc	-136	to 11,525
Tin	-550	to 63,550

were depressed early on by the pound's strength following the news about entry into the European Exchange Rate Mechanism. And both extended the losses to end the week substantially lower.

After losing another £59.50 on the day cash copper closed last night at £1,371 a tonne, down £105 on the week. The three *months* position fell £37 on the day to close £91 down on the week at £1,326.50 a tonne, an eight-month low.

Yesterday's *falls* were influenced by the announcement of a further rise of *5,750* tonnes in LME warehouse stocks to 193,375 tonnes, the highest level since November 1985. Although that news, which followed a 1,425-tonne rise announced on Tuesday, underlined the deteriorating fundamentals *of the copper market,* traders seemed unimpressed initially. But later "lending" emerged for November delivery metal against the three months position (selling the former and buying the latter), which indicated an easing of the options-related supply tightness that had been constraining the price fall.

The lead market, which also saw an increase in LME stocks reported yesterday, followed a similar pattern and the cash price closed yesterday at £394.50 a tonne, down £12.50 on the day and £35.50 on the week. The wave of selling had begun earlier in the week when the three months price breached an important support level at £406 a tonne. Yesterday three months *lead* closed at £386.50 a tonne, down £35 on the week, after finding chart-based support below £385 a tonne.

The biggest loser yesterday was aluminium, the cash price falling $79.50 to $1,855.50 a tonne, down $129.50 on the week. Traders blamed the decline on a fresh wave of stale bull liquidation as Japanese buying interest dried up, but they said the market was steadied by profit-taking purchases at the lower levels.

At the London Futures and Options Exchange cocoa market sentiment took a knock early in the week when a support area at £700 a tonne for the prompt December position was breached, opening the way for a £26 fall in the March position to £721 a tonne. Dealers attributed the weaker tone to heavy selling by a French trade house and reports of improved rains in West African growing areas.

Yesterday's news of a 23.1 per cent year-on-year rise for third quarter US cocoa bean grindings was described by dealers as "neutral to supportive" for the market. But the March price ended £1 down on the day.

Slack demand and deteriorating fundamentals continued to depress the world sugar *market* and prices *drifted* towards last week's 20-month lows. The London daily raws price was fixed yesterday morning at $256.40 a tonne, down $3.60 on the week, and futures markets in London and New York lost further ground during the day.

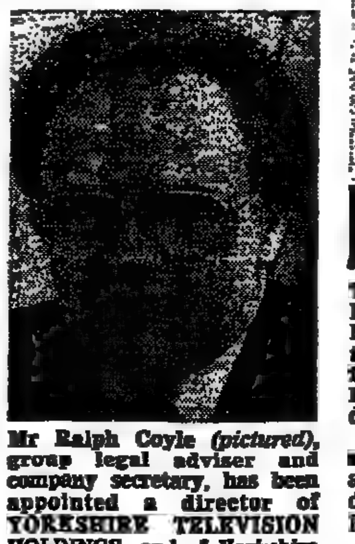
Richard Mooney

APPOINTMENTS

Development director at Provincial

■ Mr Philip V. Hoyle, company secretary of PROVINCIAL GROUP, has been promoted to the new post *of group director, business* development. He is succeeded as group secretary by Mr Graham C. Whitwham, who is also company secretary of Provincial Insurance.

■ Mr Jeremy Loyd, director, operations, has been promoted to managing director of CAPITAL RADIO (LONDON).



Mr Ralph Coyle *(pictured),* group legal adviser and company secretary, has been appointed a director of YORKSHIRE TELEVISION HOLDINGS, *and of Yorkshire* Television.

■ SCHERING HOLDINGS, Cambridge, a subsidiary of Schering, Germany, has appointed Mr A.G. Pike as managing director of Schering Industrial Products from January 1, succeeding Mr Brian Arrandale who has retired. Mr Pike is director in charge of Schering *Agricultural,* and will be succeeded by Mr David Morgan, marketing director.

■ Mr John Sewell has been appointed managing director, PERKINS COMPACT ENGINES, specialist small diesel company of the Perkins Group. He was managing director of a group of businesses in the automotive sector of BTR.

THE CHASE MANHATTAN BANK, London, has appointed Mr Peter Belmont *(pictured)* to *the new post of corporate* finance executive for Eastern Europe. He was managing director of Libra Bank.

■ Mr Steve Owen has been appointed deputy managing director of LOHJA FINLUX. He was a director of DEE.

■ Following the acquisition last May of Essanelle (Holdings), ALAN PAUL has reorganised its board. Mr Clive Warner becomes group financial director. He was information technology director for the Sears division incorporating Fosters, Hornes and Adams Childrenswear. He succeeds Mr Brian Palmer who resigns from the main board, but remains with the company as financial controller. Mrs Kathryn Miller, sales and marketing director, The Body and Face Place, resigns to pursue other interests. Mr Robert Stanley becomes general manager, hairdressing.

■ GREST has appointed Mr Brian Wallace as finance director from October 29.

■ Mr Stephen Roggendorff has been appointed to the board of MALET SECURITIES, to advise on ventures in Hungary.

Royal Trust posts

Mr Laurent Joly *(pictured)* has been appointed managing partner of ROYAL TRUST *INTERNATIONAL* responsible for operations in Europe and the Caribbean. He was managing partner, RT Securities, a division of Royal Trustco, and is now based in London. Mr Tom Wacker becomes chairman of Royal Trust International. Royal Trust is based in Canada.

■ PERKINS FOODS, Peterborough, has appointed Mr Martin Lawrence as managing director of both the frozen foods and mushroom divisions from November 5. He will also join the group board. He is trading director of Ross Youngs, part of United Biscuits.

Mr Iain Saunders *(pictured)* has become chairman of FLEMING INVESTMENT MANAGEMENT. He was chief executive of Fleming's London-based asset management operations.

■ GRESHAM *UNDERWRITING AGENCIES* has appointed Mr C.C. Baillieu as executive chairman. Mr T.G. Green will serve as deputy chairman, and remains active underwriter of Lloyd's Syndicate 321.

■ Mr Art Buckland has been appointed president, worldwide electronics operations, at Lex Electronics, part of Lex Service. He joins from Schlumberger.

■ Mr John Lawrence has been appointed managing director of TULLETT & TOKYO (FOREIGN EXCHANGE) CO.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Target Trust Mngrs Ltd (1600)F						
Target Hse, Gatehouse Rd, Aylesbury, Bucks.						
Admin: 0296 394000 Dealing: 0296 312156						
American Eagle	5	53.35	53.35	57.02	-0.05	1.35
Australia	5	5.421	5.421	5.804	-0.22	4.40
Equity	5	140.3	140.3	150.6	-0.3	5.11
Euro Spec Sits	5	94.95	94.95	101.9	+0.8	0.66
Financial	5	24.53	24.71xd	26.38	+0.05	3.26
Global Opps Inc	5	55.81	55.81	60.05	-0.22	0.00
Global Opps Acc	5	56.23	56.23	60.51	-0.21	0.00
Gold & Gen Inc	5	36.34	36.34	39.07	-1.09	1.02
Gold & Gen Acc	5	67.74	67.74	72.85	-2.01	1.02
Income	5	86.78	86.78xd	93.44	-0.16	6.64
Japan & General	5	104.1	104.1	112.1	+0.2	0.00
Preference Share	5	17.43	17.70xd	19.04	+0.24	13.98
UK Capital	5	76.58	76.58	82.18	+0.05	4.25
World Income	5	51.56	51.56xd	55.34	-0.27	6.38
Worldwide Capital	5	143.3	143.3	154.2	-0.1	3.55
Templeton Unit Trust Managers Ltd (1200)F						
Abbey Crescent, Edinburgh EH3 8HA 031 228 3932						
Global Growth Acc	6	87.40	88.13	94.25	-1.13	3.93
Global Growth Inc	6	83.98	84.67	90.56	+1.08	3.93
Global Balanced Acc	6	88.98	89.49	95.71	-1.06	5.03
Global Balanced Inc	6	82.89	83.37	89.16	-0.99	5.03
Value Tst Acc	6½	67.39	68.49	73.26	-0.85	4.60
Value Tst Inc	6½	65.71	66.78	71.43	-0.52	4.60
Intl Pen & Chtis Inc¶	2	84.78	86.05	90.34	-1.15	4.01
Intl Pen & Chtis Acc¶	2	81.81	83.04	87.18	-1.10	4.01
Thornhill Unit Trust Managers Ltd (1200)F						
28 St John's Sq, London EC1M 4AE 071-251 6767						
Capital	5	45.87	46.17	49.11	----	-
Overseas	5	38.43	38.62	41.08	----	-
Thornton Unit Managers Ltd (1000)F						
33 Cavendish Sq., London W1M 0DH 071-493 7262						
Dealing 071-493 8545						
American Opps	5	37.70	37.70	40.20	-0.56	0.28
(Accum Units)	5	38.80	38.80	41.37	-0.56	0.28
Cash	0	50.57	50.57	50.57	+0.01	13.72
Accum Units	0	50.57	50.57	50.57	+0.01	13.72
European Opps &	5	56.18	56.31	60.05	-0.31	0.00
(Accum Units) &	5	56.49	56.62	60.38	-0.34	0.00
Far Eastern Opps	5	95.41	95.41	101.76	+0.31	0.00
(Accum Units)	5	96.02	96.02	102.41	+0.31	0.00
Golden Opps	5	27.43	27.43	29.25	-0.43	0.00
(Accum Units)	5	28.21	28.21	30.09	-0.44	0.00

	Bid Price	Offer Price	+ or -	Yield Gross
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Expt Oct 10	37.0	38.4	—	2.83
Euro Expt Oct 10	45.9	48.2	—	2.72
Fixed Int Ex Oct 10	43.7	44.8	—	11.22
Japan Expt Oct 10	39.9	41.5	—	0.86
Managed Ex Oct 12	37.0	38.4xd	—	5.28
SE Asia Expt Oct 10	52.9	55.5xd	—	3.59
Sm Cos Expt Oct 10	30.6	32.1	—	5.20
UK Eqty Ex Oct 10	36.8	38.6	—	4.17
Phillips & Drew Fund Management Ltd				
Small Co's Oct 3	587.8	630.6	—	3.95
Do Accum	653.7	702.2	—	3.55
Intl Expt Oct 10	140.7	143.0	—	4.24
UK Index Oct 3	955.0	975.6	—	3.25
Do Accum	1009	1029	—	5.25
Convertible Oct 5	76.01	78.53	—	9.75
World ex UK Index Oct 8	627.6	636.0	—	2.24
Do Accum	627.6	636.0	—	2.24
Japan Index Oct 8	507.8	515.2	—	0.62
Do Accum	508.8	516.1	—	0.62
USA Index Oct 8	718.5	723.2	—	3.48
Do Accum	728.6	733.3	—	3.48
European ex UK Index Oct 8	770.6	789.4	—	3.12
Do Accum	782.6	801.6	—	3.12
Pacific ex Jap Index Oct 8	734.9	757.1	—	5.59
Do Accum	748.8	771.3	—	5.59
Managed Exempt Oct 10	89.43	91.07	—	5.55
American Exempt Oct 10	92.60	94.20	—	4.27
European Exempt Oct 10	99.15	100.4	—	4.59
Japan Exempt Oct 10	103.7	104.9	—	0.75
Pacific Basin Oct 10	97.0	100.1	—	4.26
NM Rothschild Asset Management Ltd				
NC Managed	51.4	54.7xd	-0.3	4.62
NC Property	174.3	191.2	—	-
J. Rothschild Fund Managers Ltd				
Intl Exempt Accum	117.6	118.6	—	4.23
Stewart Ivory & Co Ltd				
Saints PPP Sept 14	231.1	243.3	—	0.00
Closed to new business				
Thornton Unit Managers Ltd				
Managed Exempt Oct 1	82.19	87.10xd	—	4.25

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gros
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 071-623 4200				
Managed	299.7	315.5	−1.7	–
UK Equity	382.0	402.2	−2.4	–
Overseas Eq.	278.8	293.5	−1.9	–
Americas	197.5	207.9	−5.5	–
Far East	293.2	308.7	0.6	–
Property	188.9	198.9	0.1	–
Fixed Int.	230.7	242.9	−0.6	–
Indexed Gilt	143.3	150.9	——	–
Deposit	170.8	179.8	——	–
Pension Fund (Accum Units)				
Managed	414.5	436.4	−1.8	–
UK Equity	485.9	511.5	−2.8	–
Overseas Eq.	458.1	482.3	−1.3	–
Americas	263.3	277.2	−7.3	–
Far East	489.3	515.1	+2.7	–
Property	231.3	244.0	0.3	–
Fixed Int.	279.7	294.5	−0.6	–
Indexed Gilt	157.5	165.8	——	–
Deposit	234.1	246.5	0.1	–
NPI Pensions Management Ltd				
Managed Fund	908.9	925.1	——	–
Prices Oct 3 Next dealing Nov 1				
Norwich Union Asset Management Ltd				
PO Box 140, Norwich NR3 1PP 0603 686787				
NUAM Funds				
Managed Fund	60.5	63.7	−0.2	–
Stock Market Mngd Fund	56.6	59.5	−0.2	–
Equity Fund	65.7	69.1	−0.3	–
International Fund	48.3	50.9	−0.1	–
European Fund	59.8	63.0	+0.6	–
North American Fund	45.3	47.7	−0.8	–
Pacific Fund	49.4	52.0	+0.2	–
Property Fund	87.4	92.0	+0.1	–
Fixed Interest Fund	52.4	55.1	——	–
Index Linked Sec Fund	58.2	61.2	−0.1	–
Deposit Fund	65.5	69.0	——	–
NUAM Retirement Plans				
Mixed Fund	65.4	68.9	−0.2	–
UK Ordinary Share Fd	75.2	79.1	−0.4	–
International Fund	52.3	55.0	−0.2	–
Property Fund	84.3	88.8	[illegible]	–

	Bid Price	Offer Price	+ or −	Yield Gros
Providence Capital Life Assc. Co Ltd – Contd.				
Total Investment Bond				
UK Equity Initial		130.2	−0.7	–
UK Fixed Int Initial		107.1	−0.5	–
Intl Equities Initial		100.1	−0.8	–
UK Managed Initial		105.1	−0.5	–
Property Initial		164.3	+0.1	–
Money Initial		83.8	+0.1	–
Special Market Initial		93.2	−1.2	–
Japan Equity Initial		70.3	0.7	–
North American Initial		58.7	−1.4	–
Pacific Initial		57.7	−0.2	–
Technology Initial		80.1	0.2	–
Nat Resources Initial		46.8	−2.2	–
European Initial		80.7	+1.0	–
Residential Prop Init		94.0	——	–
Swiss Equities Initial		79.9	0.4	–
Hong Kong Initial		42.3	0.3	–
UK High Inc Eq Init		58.8	−0.5	–
Int. Fixed Interest Init		49.0	−0.1	–
Int. Managed Init		48.6	−0.2	–
NIP Managed Init		95.5	−0.7	–
NIP Managed II Initial		84.0	−0.7	–
Broker Funds				
High Performance	60.0	63.2	−0.4	–
Towerhill Mngd Fd Acc	38.5	40.6	0.4	–
YRA Executive Fd	80.1	84.4	−0.3	–
£ Global Growth Acc	107.7	113.6	−0.9	–
£ High Income Money Acc	131.6	138.8	——	–
IM Balanced		45.7	−0.2	–
H.F. Speculator Fd		112.9	−0.6	–
PEP Acorn II		102.5	−0.4	–
PEP Cautionary		66.8	——	–
AAFS Int Man Fund		108.6	−0.9	–
Andrews-Green Inv Port		76.8	0.1	–
Individual Pension Funds				
UK Equity Acc	205.3	216.6	−1.1	–
UK Fixed Interest Acc	193.8	204.5	−0.7	–
Intl Equities Acc	186.3	196.6	−2.0	–
UK Managed Acc	165.2	174.2	−0.6	–
Property Acc	208.8	220.3	0.2	–
Money Acc	148.6	156.8	——	–
Special Market Acc	187.5	197.8	−2.4	–
Japan Equity Acc	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Orion Fund Limited

[illegible]

CANADA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)

[illegible]

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هكذا من الأصل

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	Bid Price	Offer Price	+ or -	Yield Gross
Baring Int Fund Managers Guernsey Ltd				
Mngd Portfolio (Dlr)	$9.55	10.15	.....	–
Mngd Portfolio (Stlg)	£3.65	3.92	.....	–
Baring Currency Fund Ltd				
US Dollar		$14.48		–
Sterling		£17.56		–
Deutschemark		DM37.80		–
Japanese Yen		Y3,780		–
Managed	$41.58	43.65		–
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	DM115.50	115.50	.....	–
Figaro-Conseil Fund Mngrs (Guernsey) Ltd				
Hauteville G & B Fd	SFr7.02	7.29	.....	1.05
John Govett Mngmnt International Ltd				
Govett High Inc Gilt	£0.3463	0.3693	+0.0003	14.08
Govett Far East Inc	$0.866	0.925	+0.008	–
Energy & Resources	$0.674	0.720	-0.020	–
Hambros Fund Managers (CI) Ltd				
Japanese OTC	$7.460	7.951	.....	–
Havelet Throgmorton Mngmt Ltd				
Intl Inv-Gilt High Inc	£9.815	10.479	+0.105	10.09
Intl Inv-Intl High Inc	$48.525	51.118	+0.002	5.54
Henderson Admin. (Guernsey)	[illegible]			

	Bid Price	Offer Price	+ or -	Yield Gross
Sarasin (Isle of Man) Ltd				
Fargas Fd Oct 4		£11.69	.....	–
UK Trend Oct 4		£8.40	.....	–
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£7.79	8.43	.....	–
Fleet Street Inv Fd	£7.03	7.48	.....	–
Offshore Income Fd Ltd	£8.89	9.35	.....	–
Nelson Mines W/W 5/5	£8.99	9.49	.....	–
Tattersall Intl Agents	£6.41	6.60	.....	–
Tyndall International (Isle of Man) Ltd				
H.I. Gilt/Bulldog	99.7	–	.....	–
(Accum Shares)	158.9	166.4	+0.1	–
Unibank Scandinavian Fund Ltd				
Scandinavia Fd	164.22	174.76	.....	2.0

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

WORLD STOCK MARKETS

US MARKETS (3pm)

CANADA (3pm)

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

SOUTH AFRICA

INDICES

NEW YORK

DOW JONES	Oct. 11	Oct. 10	Oct. 9	Oct. 8	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2365.10	2407.92	2445.54	2523.76	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	88.80	88.86	89.09	89.29	93.04 (3/1)	88.44 (24/9)	—	—
Transport	823.96	838.43	841.35	859.65	1212.77 (6/6)	823.96 (11/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	201.96	203.60	204.67	208.50	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High 2427.23 (2472.03) Low 2344.31 (2387.38)

STANDARD AND POOR'S

	Oct. 11	Oct. 10	Oct. 9	Oct. 8	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	295.46	300.40	305.10	313.48	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	346.86	353.11	358.67	369.18	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	19.24	19.76	20.14	20.79	31.87 (3/1)	19.24 (11/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	162.20	164.97	167.41	171.65	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	293.71	299.26	303.05	306.51	382.45 (5/1)	293.71 (11/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	325.61	333.25	339.11	348.14	469.60 (16/7)	325.61 (11/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct. 5	Sep.28	Sep.21	year ago (approx.)
Dow Industrial Div. Yield	4.04	4.14	4.08	3.62

	Oct. 3	Sep.26	Sep.19	year ago (approx.)
S & P Industrial div. yield	3.42	3.49	3.29	2.71
S & P Ind. P/E ratio	14.85	14.55	15.12	14.29

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
IBM	3,113,800	101	- 2½
Wal-Mart Stores	2,935,200	25¾	+ ¼
Phillip Morris	2,893,600	44⅜	- ⅛
Fannie Mae	2,757,300	26¼	- ⅞
Chem Bkg Corp	2,123,000	13¼	- 1¼
Waste Man	2,118,00	29⅝	- ⅝
Ford Motor	2,061,800	29⅞	- ⅛
Gen Electric	2,059,600	51⅛	- ⅞
Toys R US	1,790,100	20⅛	- ⅞
Dresser Ind	1,725,100	17⅞	+ ⅞

TRADING ACTIVITY

† Volume	Millions Oct. 11	Oct. 10	Oct. 9
New York	182,141	167,890	145,610
Amex	13,707	10,913	11,715
NASDAQ	140,846	121,041	109,583
Issues Traded	1,995	1,980	1,978
Rises	303	351	286
Falls	1,284	1,207	1,310
Unchanged	408	422	382
New Highs	2	1	-
New Lows	389	278	192

CANADA

TORONTO	Oct. 11	Oct. 10	Oct. 9	Oct. 8	1990 HIGH	1990 LOW
Metals & Minerals	2632.65	2708.95	2811.80	(c)	3453.05 (4/1)	2632.65 (11/10)
Composite	3055.29	3109.87	3139.50	(c)	4009.47 (3/1)	3055.29 (11/10)
MONTREAL Portfolio	1621.76	1652.76	1670.41	(c)	2060.90 (3/1)	1621.76 (11/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 12	Oct. 11	Oct. 10	Oct. 9	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1326.1	1342.1	1360.2	1375.4	1713.7 (12/1)	1326.1 (12/10)
All Mining (1/1/80)	648.3	658.0	669.4	677.6	868.8 (5/1)	648.3 (12/10)
AUSTRIA						
Credit Aktien (30/12/84)	410.65	425.81	425.79	431.72	763.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5080.01	5080.92	5071.15	5231.49	6599.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	338.31	337.52	336.80	339.90	388.29 (20/7)	331.41 (27/9)
FINLAND						
Unitas General (1975)	409.8	420.5	423.5	429.4	677.3 (29/1)	409.8 (12/10)
FRANCE						
CAC General (31/12/82)	422.45	421.92	421.68	427.54	564.82 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1575.78	1541.76	1541.04	1549.07	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	604.47	618.26	602.27	630.57	832.32 (19/7)	589.69 (28/9)
Commerzbank (1/12/53)	1791.7	1750.0	1728.80	1772.7	2414.9 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1459.70	1428.38	1407.11	1433.41	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2915.26	2884.41	2872.41	2913.52	3559.89 (25/7)	2730.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1271.66	1264.76	1258.53	1295.02	1693.10 (22/1)	1207.47 (1/10)
ITALY						
Banca Com. Ital. (1972)	554.74	555.95	556.82	566.95	763.92 (14/5)	554.38 (25/9)
JAPAN						
Nikkei (16/5/49)	22790.16	22585.63	(c)	23495.11	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1663.69	1671.68	(c)	1728.69	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	3028.69	3879.62	(c)	3846.32	4477.16 (14/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	471.22	469.06	470.09	474.46	632.22 (1/6)	491.08 (28/9)
NETHERLANDS						
CBS Ttl Rtn.Gen.(End 1983)	232.4	230.6	232.6	231.8	271.9 (20/7)	228.2 (28/9)
CBS All Shr (End 1983)	170.6	170.1	170.8	170.2	206.3 (3/1)	167.6 (28/9)
NORWAY						
Oslo SE (Ind) (2/1/83)	756.10	762.09	773.20	775.04	985.13 (2/8)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	545.38	540.62	552.34	571.08	1160.70 (25/5)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	386.00	381.45	389.27	387.58	446.87 (16/7)	381.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1445.04	1438.0	(c)	1589.0	2250.0 (16/1)	1322.0 (28/8)
JSE Industrial (28/9/78)	2675.06	2674.0	(c)	2682.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	635.74	621.93	617.12	(c)	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	(c)	216.22	217.59	219.54	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvariden Gen. (1/2/37)	(c)	989.9	980.8	983.0	1329.9 (5/7)	910.0 (28/9)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	647.8	647.6	642.9	648.0	865.5 (13/2)	613.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	2820.65	2573.45	(c)	2746.25	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	642.37	644.43	655.55	682.39	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	442.6	451.5	455.5	571.0 (4/1)	423.1 (28/9)

**Saturday October 6: Taiwan Weighted Price: 2795.04 Korea Comp Ex. 616.47

a Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

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WORLD STOCK MARKETS

AMERICA

Decline in crude oil futures gives equities a boost

Wall Street

RUMOURS that Iraq might pull out of Kuwait pushed oil prices lower and helped equities rally yesterday in spite of continuing gloom about the state of the US economy, lack of progress on the budget and worries about third quarter results, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was up 29.45 at 2,394.55 on moderate volume. But the underlying tone was only moderately bullish, with advancing issues leading declining by four to three. On Thursday, the Dow fell 42.82 to 2365.10, its lowest close of the year.

The stock market recovery was mirrored in the bond market, where the Treasury's benchmark 30-year bond gained more than one point in the morning before settling at 97[illegible], up [illegible], to yield 8.96 per cent at midsession after a week of steady losses.

There was little reaction on Wall Street to news that September's Producer Price Index rose 1.6 per cent, thanks to record increases in energy prices for the index. Excluding the volatile food and energy components, the index was 0.6 per cent higher in the month, above most expectations.

Instead, traders concentrated on crude oil futures, which moved sharply lower in volatile trading as speculation that Iraq would withdraw from Kuwait hit the market. November crude oil fell through the $39-a-barrel level to trade as low as $38.50, and at midsession was off 97 cents a barrel at $39.45.

Among oil service companies, Schlumberger was steady at $56¼, Dresser Industries added $¼ to $17¾ and Halliburton fell $¾ to $48¾.

A number of oil stocks posted gains, including Chevron, up $¾ at $70¾, Mobil, $½ higher at $56¾ and Occidental Petroleum, which added $¼ to $18¾.

Among featured stocks, Centerior Energy rose $¾ to $18 in very heavy, dividend-related trading. The stock, which yields 8.8 per cent per annum, will go ex dividend on Monday.

Chemical Bank, which dropped $1¾ on Thursday after it slashed its dividend and reported a big third quarter loss, fell another $¾ to $12⅝. Concern about third quarter results from Citicorp, which is scheduled to report its earnings on Tuesday, pushed the stock $½ lower to $13¼, while Manufacturers Hanover lost $¾ to $19¼.

Chase Manhattan Bank, which said last month that it would cut its dividend, added $⅜ to $12⅜.

Compaq Computer lost $1⅛ to $37⅞ as the market reacted to negative comments by several analysts about the company's new laptop computer, which will be officially introduced on Monday. Technology issues continued to weaken amid worries about third quarter results. Hewlett-Packard fell $⅞ to $26¼, IBM was off $¾ at $100¼ and NCR slipped $½ to $50½.

Several blue chip issues posted gains. Philip Morris improved $⅜ to $45.

Intel slipped $¾ to $29 after reporting third quarter net income of 83 cents a share, in line with expectations.

Canada

TORONTO was pulled down at midsession by a weak gold sector as bullion prices fell. The composite index lost 5.7 to 3,049.6 on volume of 13.9m shares. Declines led advances by 257 to 140.

Among active shares, Laidlaw eased C$⅛ to C$18⅜, Thomson firmed C$⅛ to C$25¼, Alcan was flat at C$21⅛ and Canadian Pacific gained C$⅛ to C$17⅜.

SOUTH AFRICA

GOLD shares made a small recovery after Thursday's steep falls. Vaal Reefs gained R3 to R259. The JSE all-gold index rose 7 to 1,445. The overall index slipped 6 to 2,842 due mainly to weaker platinum and diamond shares.

Tokyo gets acquainted with its new trading limits

The Nikkei average seems boxed in between 20,000 and 24,000 for the time being, says Robert Thomson

ONCE HAVING apparently limitless potential to rise, and then plunging to seemingly bottomless depths, the Tokyo stock market finally seems to have found a set of fundamental values and a feeling for its limits.

The willingness of the Finance Ministry to provide support after the Nikkei average fell below 20,000 two weeks ago has provided the market with confidence that Japanese officials, who had been publicly complacent about the falls this year, have set their own informal floor.

Since the gain of 13.2 per cent on the day after the ministry's show of support, the market has been erratic, and the profit-taking that emerges when the average nears 24,000 suggests that it is destined to spend the near future between that figure and 20,000.

Limits could be tested on either side if the stand-off becomes a military conflict in the Gulf, or if the present wariness about property prices solidifies with the failure of a prominent speculator company or with harder evidence that land prices do indeed have the potential to fall a long way.

A peaceful settlement of the Gulf crisis, a prospect that the Tokyo market reads as about a 50-50 possibility, would provide a stimulant, and the 24,000 hurdle would be crossed. The precise damage that a war would inflict on the Tokyo market obviously depends on the likely length of any such conflict, and the potential disruption to oil supplies.

Some solace has been taken from the strength of the yen, which has prompted the general feeling that another rise in the official discount rate (ODR) is unlikely, and has created confidence that the worst turbulence in the bond market has passed.

That more relaxed view of interest rates has been supported by the nods of approval for yen appreciation from Mr Yasushi Mieno, the Bank of Japan governor, who remains concerned that underlying inflationary pressures could surface if there is a sense in the market that easy money will again be available in the near future. That said, Mr Mieno has also hinted that the yen's fall against the US dollar has been a little too fast.

The yen's rise has been convenient, as it partly offsets the rise in oil prices and has prompted renewed confidence in domestic stocks, such as the pharmaceuticals – regarded as something of a safe haven – and the construction sector, which has been heavily sold for much of the year.

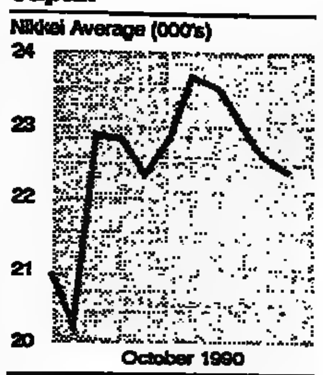
Sankyo, the pharmaceutical maker, has risen 16 per cent since the start of the month, Yamanouchi Pharmaceutical by 17 per cent and Takeda Chemical Industries by 23 per cent, all well above the 10.7 per cent increase in the Nikkei average over the period.

Construction companies, such as Kajima (up 20 per cent) and Tekken (up 29.6 per cent), have suffered this year because of their interest rate sensitivity, but the prospect of more stable rates has removed that concern. The focus is now more on strong construction order books, although the possibility of a land price plunge still haunts the sector.

A proposed land tax reform,

Japan

Nikkei Average (000's)



designed to lessen the gap between real estate "haves" and "have nots" and to make more efficient use of land, has been weighing on the market. It is far from clear whether the 1 per cent tax on land value, assessed at 50 per cent of market value, will be approved by the Japanese parliament.

Concerns about the tax have forced down the prices of stocks such as Mitsui Real Estate and Mitsubishi Estate, and have helped to focus attention on companies with real estate exposure, once considered a prime asset, but now almost a liability because of the gloom about land prices.

The market's tendency to surge on hearing spurious rumours about peace in the Gulf suggests that, while investors now know its limits, volatility remains. Mr Robert Feldman of Salomon Brothers says that, given a continuing stand-off in Kuwait, the market is destined to remain erratic over the next couple of weeks.

Ms Lynn Ross of W.I. Carr has a similar view: "The market is still volatile. People are just a little bit nervous. With the Middle East problems unsolved, people are looking to the strengthening of the yen to buy domestic stocks, but there is still an uncertain environment."

There are also serious concerns about the state of the US economy and the confusion surrounding the US budget process. Electricals such as Hitachi, which opened the month at Y1,190 and closed at the same figure yesterday, and Toshiba, up only 4 per cent, have underperformed the market because of fears that US domestic demand will plunge.

Japanese institutions also appear uncertain about the strength of the domestic economy. Some capital expenditure plans have been revised and the volatility of stock and bond markets have obviously weakened companies, yet growth for the year is expected to be close to 6 per cent.

The labour shortage remains a problem, with the ratio of job offers to applicants at 1.45 to one – a sign that the economy has yet to slow significantly. Investors remain conscious of labour-sensitive stocks, although supermarket chains have done well in recent weeks, with the optimism over domestic consumption proving a more powerful influence.

With speculative stocks severely punished in the falls since early this year and a balance returning to the prices of stocks with "hidden assets", is an expectation that blue-chip stocks oversold in the rush are likely to be the first bought by institutional investors returning to the market.

ASIA PACIFIC

Nikkei trims losses on hopes of progress in Gulf

Tokyo

TRADING WAS erratic yesterday, as worries about international developments mingled with encouraging news from the currency and bond markets. Caution won out ahead of the weekend, and share prices closed with a loss for the third day running, *writes Michiyo Nakamoto in Tokyo.*

Investors were depressed by weakness in New York and high oil prices, which brought on early selling. Profit-taking and arbitrage activity increased the downward pressure on the market.

During the day, the Nikkei average dropped to a low of 22,131.83. In the afternoon, talk that Iraq was prepared to withdraw from Kuwait provided a measure of encouragement, sending oil prices lower and boosting bond prices in Tokyo. The yen's strength was another heartening factor.

These developments trimmed the market's losses, but the Nikkei still closed 195.47 lower at 22,390.16, down 1.9 per cent on the week. The day's high was 22,557.17. Declines led advances by 669 to 285, with 116 issues unchanged.

Turnover was low at 320m shares, although this was slightly above Thursday's 300m. The Topix index of all listed stocks declined 7.99 to 1,663.69. In London, the ISE/Nikkei 50 index closed up 3.75 at 1,313.61.

Hopes of an Iraqi withdrawal did not dispel totally the market's concern about the Middle East. Institutions and individuals were not inclined to trade actively before the weekend, so dealers remained the main participants.

Construction issues attracted interest. Public works spending in Japan is expected to increase substantially as the Japanese government is committed to increase public investments under an agreement with the US. At the same time, dealers appeared to be favouring construction issues which were likely to boost profits on their domestic business and were therefore less vulnerable to a downturn in overseas economies.

Sato Kogyo, which has a large presence in civil engineering, topped the actives list with 12.9m shares traded and gained Y70 to Y1,360. Toda Construction followed with 9.3m shares and a rise of Y90 to Y1,680.

Hopes of an improvement in the Gulf crisis helped Arabian Oil, a joint venture between Japan and Saudi Arabia, recover after recent weakness. It climbed Y380 to Y6,780.

Banks were on the defensive again, in spite of the news that there may be an easing in international capital adequacy requirements, which have become a burden for Japanese banks since the value of their stock holdings started to shrink. Mitsubishi Bank lost Y20 to Y1,260. Industrial Bank of Japan, which is also vulnerable because of its illiquidity, dropped Y60 to Y2,440.

In Osaka, the OSE average took a fall of 375 to 25,831.55. Volume rose to 28.7m shares from 22.7m on Thursday.

Roundup

RUMOURS ABOUT developments in the Middle East drove most Asia Pacific markets higher yesterday, but New Zealand and Australia proved less easy to console.

NEW ZEALAND was filled with economic gloom and pre-election uncertainty, which pulled the Barclays index down 44.54 or 3.2 per cent to 1,347.98, its third consecutive five-year low. The index shed 8 per cent during the week. Turnover was NZ$11.9m, up from NZ$10.2m.

Fletcher Challenge dropped 15 cents to NZ$3.39.

AUSTRALIA was discouraged by the weakness of overseas markets. The All Ordinaries index lost 15.0 to 1,336.1, a fall on the week of 3.3 per cent, in turnover of A$195m after A$139m.

News Corporation closed 26 cents lower at A$5.54, after falling A$1 earlier following a sell-off of the stock in London and New York overnight. The stock has dropped 13.4 per cent over the week.

MANILA closed higher on rumors that Iraqi President Saddam Hussein had died. The composite index rose 4.56 to 645.18, up 5.9 per cent on the week, although volume fell to 35.4m pesos from 51.9m pesos.

SEOUL rose sharply on heavy buying by individual investors following the forced sales earlier in the week. The composite index rose 13.81 to 631.93, its third consecutive rise, although it was little changed on the week.

HONG KONG recouped early losses on reports of conciliatory remarks from President Saddam suggesting a compromise over Kuwait. The Hang Seng index leapt 30.85 to 2,915.26, up 2.3 per cent on the week. Turnover rose to HK$657m from HK$483m.

TAIWAN heard the same report about President Saddam's new stance and recovered from its early losses. The weighted index rallied 47.2 to 2,620.65, down 5.4 per cent on the week. Volume rose to NT$15.75bn from NT$11.15bn.

SINGAPORE ended higher, breaking a week of losses. But brokers said the rebound was technical. Volume edged up to S$63m from S$48m. The Straits Times Industrial index rose 14.87 to 1,094.37, down 1.2 per cent on the week.

KUALA LUMPUR edged higher on mild bargain-hunting, with the composite index up 2.14 at 471.22, little changed on the week. Volume remained light, with 31m shares traded.

Magnum, the gaming stock, gained 20 cents to M$6 after the news that the state-controlled Social Welfare Services Lotteries Board had held its last lottery draw on Thursday.

EUROPE

Bourses end week in more optimistic mood

RUMOURS that Iraqi President Saddam Hussein was in a conciliatory mood lifted bourses in early trading yesterday, while Wall Street's firm opening helped most of them finish higher too, *writes Our Markets Staff.* Madrid was closed for a holiday.

FRANKFURT closed higher on mainly domestic short-covering before the weekend and on hopes of a peaceful settlement in the Gulf. A change in accounting rules, which enhanced the earnings per share (EPS) of companies with losses carried forward, also lifted prices.

The FAZ index, calculated at midsession, rose 14.21 to 624.47, a gain of 3.4 per cent on the week, while the real-time DAX index put on 31.32 to 1459.70, up 4.9 per cent on the week. Volume grew to DM4.9bn from Thursday's DM3.9bn.

It emerged yesterday that the German Association of Financial Analysts (DVFA), whose formula for calculating EPS is widely used, had agreed with a smaller rival group of analysts to stop deducting losses carried forward from the company's income.

This revision boosted stocks of companies in this league, such as Siemens, which has losses carried forward from its takeover of Nixdorf, and KHD, the engine and farm machinery manufacturer, which has made losses since 1986. Siemens rose DM12.50 to DM564 and KHD firmed DM14.30 to DM183.30.

Mannesmann and Schering continued to climb on the back of positive broker reports, adding DM8 and DM9.50 to DM268.50 and DM686.50, respectively.

MILAN was saved again by a continued advance in Ferruzzi Agricola Finanziaria and Montedison, after Ferruzzi confirmed that holders of Agricola shares could sell them back to the company rather than exchange them for Montedison shares. The Comit index fell 1.21 to 554.74, just above the year's low of 554.30, a fall of 2.8 per cent on the week.

Agricola rose L190 or 9.8 per cent to L2,130 from L1,940. Under Italian law, Ferruzzi would have to buy the shares back at the average price for the past six months, which traders estimated to be between L2,350 and L2,450. Montedison rallied L92 to L1,262 on hopes of a boost to its profits following its merger with Agricola.

Fiat continued to lose ground on the news early in the week of a sharp drop in domestic auto sales. The stock fell L69 to L6,251.

PARIS ended positively as Wall Street made early gains. The CAC 40 index rose 33.94 or 2.2 per cent to 1,575.70, an improvement on the week of 1.5 per cent. Turnover continued to be thin, however, at FFr1.47bn.

The bourse had risen in early trading on the rumours of a Saddam peace initiative. Light bargain-hunting also supported prices.

In a day with little corporate news, Suez, the financial group, stood out with a gain of FFr24.50 or 9.1 per cent to FFr293 in the session's biggest volume of 454,168 shares. Talk of shareholder unrest and a forthcoming decision on a successor to the present chairman, who is due to retire, were said to lie behind the rise.

AMSTERDAM was spurred on by gains in Frankfurt and a steady opening on Wall Street. The CBS Tendency index rose 1.2 to 94.3, up 1.4 per cent on the week.

KLM ended 40 cents better at Fl 20.60 after saying that it was to cut costs by at least Fl 400m in the next three years.

ZURICH closed steady after a firm start, as blue chips gained ground. Volume remained low. The Crédit Suisse index was 0.3 better at 500.2, up 0.7 per cent on the week.

VIENNA rose on bargain-hunting, encouraged by the rises on Frankfurt. The bourse index picked up 15.39 to 498.77.

ISTANBUL also gained ground, with the index adding 98.14 to 5,148.95 in turnover of TL74.7bn, up from TL62.3bn.

Scandinavian markets were in a less positive frame of mind yesterday. STOCKHOLM lost its early gains after the central bank used repurchase operations to raise interest rates. The Affärsvärlden General index slipped 7.5 to 962.4, down 0.6 per cent on the week.

Stora free B shares lost SKr12 to SKr212 after the forestry company announced a 29 per cent fall in net profits for the first eight months.

OSLO fell to a 1990 low in thin turnover as the oil price eased. The all-share index fell 3.39 to 513.37, down 2.5 per cent on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 11 1990								WEDNESDAY OCTOBER 10 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	128.34	−3.1	96.83	105.38	102.22	105.04	−1.4	7.39	132.42	99.75	108.81	105.19	106.52	158.31	125.85	153.26
Austria (19)	187.93	−0.5	141.79	154.32	149.69	149.77	−0.2	1.82	188.88	142.29	155.22	150.05	150.04	285.63	178.57	169.74
Belgium (61)	132.42	−0.2	99.91	108.72	105.47	103.19	+0.2	5.61	132.74	100.00	109.07	105.45	102.95	160.02	128.67	142.67
Canada (120)	123.72	−1.7	93.35	101.58	98.53	103.16	−1.6	3.88	125.90	94.85	103.45	100.01	104.84	153.61	123.72	153.17
Denmark (33)	[illegible]	−0.2	185.87	202.29	196.22	196.26	+0.3	1.51	246.96	186.04	202.94	196.18	195.73	277.62	234.05	200.34
Finland (26)	101.24	−0.6	76.38	83.13	80.64	77.06	−0.3	3.56	101.86	76.74	83.71	80.92	77.31	152.29	101.24	126.08
France (123)	132.40	+0.0	99.90	108.71	105.45	106.55	+0.3	3.86	132.38	99.73	108.78	105.16	106.22	168.85	124.98	137.13
Germany (97)	111.14	+0.9	83.86	91.27	88.52	88.52	+1.2	2.54	110.16	82.99	90.53	87.51	87.01	144.63	101.38	100.93
Hong Kong (46)	117.44	+0.3	88.61	96.43	93.54	116.93	+0.3	5.64	117.04	88.17	96.17	92.98	116.53	147.49	112.24	117.57
Ireland (17)	149.66	+0.4	112.92	122.89	119.20	120.54	+0.8	4.34	149.01	112.25	122.45	118.37	119.63	198.57	139.04	159.00
Italy (91)	83.30	−0.3	62.85	68.40	66.35	71.37	−0.1	3.42	83.53	62.92	68.63	66.35	71.44	109.26	80.87	91.65
Japan (454)	123.22	−3.5	92.97	101.18	98.16	101.18	−3.5	0.84	127.64	96.15	104.88	101.41	104.88	197.26	106.58	179.41
Malaysia (35)	186.41	−0.1	140.64	153.05	148.46	193.66	−0.1	3.17	186.58	140.56	153.31	148.21	193.83	250.89	182.96	209.17
Mexico (13)	489.20	−1.7	369.10	401.69	389.64	1581.06	−0.3	0.43	497.67	374.92	408.96	395.35	1586.12	561.41	324.53	326.61
Netherland (41)	132.12	−0.8	99.69	108.49	105.24	104.17	−0.5	5.49	133.18	100.33	109.44	105.80	104.67	149.03	127.56	128.39
New Zealand (16)	53.24	−2.0	40.17	43.72	42.41	45.93	−1.6	7.56	54.34	40.94	44.66	43.17	46.66	75.36	53.24	79.35
Norway (28)	242.41	−1.0	182.90	199.05	193.08	195.11	−0.6	1.59	244.88	184.48	201.23	194.53	196.35	276.79	202.34	177.58
Singapore (25)	147.87	−0.6	111.57	121.42	117.78	117.99	−0.6	3.62	148.78	112.08	122.26	118.19	118.66	209.24	147.24	168.26
South Africa (60)	163.05	−1.9	123.02	133.88	129.86	133.99	−2.0	4.27	166.27	125.26	136.63	132.08	136.65	251.39	151.50	152.35
Spain (42)	135.15	−0.9	101.97	110.98	107.65	98.65	−0.7	5.58	136.39	102.75	112.08	108.34	99.40	182.25	128.54	162.21
Sweden (27)	179.24	+0.0	135.24	147.18	142.77	149.92	+0.2	2.71	179.19	134.99	147.26	142.36	149.56	234.93	158.07	182.75
Switzerland (67)	90.95	−0.1	68.62	74.68	72.45	72.74	+0.9	2.93	91.01	68.56	74.79	72.31	72.05	109.77	85.00	89.53
United Kingdom (300)	164.89	−0.9	124.41	135.38	131.32	124.41	−0.8	5.59	166.44	125.39	136.76	132.21	125.39	176.18	139.87	142.04
USA (533)	119.06	−1.6	89.83	97.76	94.83	119.06	−1.6	4.13	121.02	91.17	99.46	96.15	121.02	148.95	119.06	144.48
Europe (968)	134.99	−0.4	101.85	110.85	107.53	104.84	−0.1	4.45	135.52	102.09	111.36	107.66	105.07	157.65	124.91	126.73
Nordic (114)	184.41	−0.3	139.14	151.42	146.88	144.46	+0.1	2.09	184.90	139.29	151.94	146.88	144.31	223.29	172.38	167.98
Pacific Basin (656)	122.95	−3.3	92.77	100.96	97.93	101.58	−3.3	1.26	127.18	95.81	104.51	101.04	105.07	192.75	107.82	176.06
Euro−Pacific (1622)	128.19	−2.1	96.72	105.25	102.10	103.73	−2.0	2.63	130.92	98.63	107.58	104.00	105.81	174.18	116.03	156.45
North America (653)	119.26	−1.6	89.98	97.94	95.00	118.04	−1.6	4.11	121.23	91.33	99.64	96.33	119.99	148.43	119.26	144.89
Europe Ex. UK (668)	116.62	+0.0	87.99	95.76	92.90	93.38	+0.4	3.59	116.58	87.82	95.82	92.63	93.02	145.62	109.94	116.26
Pacific Ex. Japan (202)	119.10	−1.7	89.86	97.81	94.87	103.28	−0.7	6.39	121.11	91.24	99.54	96.22	104.05	146.72	119.10	135.72
World Ex. US (1815)	128.59	−2.1	97.02	105.60	102.43	104.40	−2.0	2.69	131.31	98.92	107.91	104.32	106.48	173.77	117.12	156.40
World Ex. UK (2048)	120.33	−2.1	90.79	98.81	95.85	107.40	−2.0	2.83	122.85	92.55	100.96	97.61	109.58	162.00	115.37	151.96
World Ex. So. Af. (2288)	124.06	−1.9	93.60	101.88	98.82	108.93	−1.8	3.15	126.49	95.29	103.95	100.49	110.97	161.84	118.04	151.04
World Ex. Japan (1894)	126.06	−1.1	95.13	103.54	100.44	113.34	−1.0	4.34	127.52	96.06	104.80	101.32	114.45	151.59	124.31	137.92
The World Index (2348)	124.29	−1.9	93.78	102.06	99.00	109.10	−1.8	3.16	126.73	95.47	104.14	100.68	111.15	162.05	118.33	151.05

Latest prices were unavailable for this edition.

LONDON SHARE SERVICE

BRITISH FUNDS

1990 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
[illegible]						

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

1990 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
[illegible]							

CANADIANS

[illegible]

Continued on next page

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ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

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MOTORS, AIRCRAFT TRADES — Contd

Components

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	—	3.5	10.8	1.0	12.0
225	145	Airflow Streamlines	145	—	6.0	3.9	5.5	6.2
190	145	Bostrom 5p	165	—	15.75	3.1	4.6	7.5
266	163	Dowty 50p	171	+1	9.0	2.1	7.0	8.2
299	119	FR Group	124	−1	6.57	3.2	6.8	5.9
135	58	Kwik-Fit Hldgs. 10p	72	+1	2.4	2.3	4.4	13.3
174	102	Lucas Inds.	116	+2	16.25	3.0	7.2	5.3
44	14	Do. Warrants	18	—	—	—	—	—
80	60	Mid-States 10p	60	−3	20.75	—	1.7	50.2

Garages and Distributors

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
28	16	Alexanders 10p	18	—	1.0	3.0	7.4	5.4
135	78	Appleyard 10p	98	+2	17.8	2.4	11.6	4.2
110	55	[illegible] Motor 20p	66	—	17.5	1.9	16.7	4.3
568	425	Caffyns 50p	425	—	11.5	0.3	3.6	—
121	98	[illegible] Motor Auctns.	108	—	3.25	3.2	4.0	10.3
61	26	Cook (D.C.) Hldgs.	31	—	1.0	5.3	4.3	5.8
85	33	Cowie (T.) 5p	56	−1	4.2	1.5	11.2	6.9
95	56	Dagenham Motors 20p	73	—	5.25	2.8	9.6	5.0
98	75	Davenport Vernon 10p	78	—	9.5	3.6	6.0	5.4
29	16	Equity & Gen 5p	20	—	1.5	1.7	10.0	(7.1)
247	169	Evans Halshaw	174	—	11.25	2.4	8.6	6.4
113	[illegible]	Gates (F.G.)	[illegible]	—	2.75	1.9	4.1	16.9

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australian

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1,650 per annum for each security.

FINANCIAL TIMES
Weekend October 13/October 14 1990

Egypt's parliamentary speaker shot dead

By Tony Walker in Cairo and **Ralph Atkins and Alison Smith** in Bournemouth

EGYPT'S parliamentary speaker and three of his security guards were shot dead in a Cairo street yesterday raising serious doubts about Egyptian internal security at a time of heightened tension throughout the Middle East.

Mr Rifaat al-Mahgoub died almost instantly in a fusillade of shots as he rode in his black Mercedes past the Intercontinental Hotel on the Nile. The killing was Egypt's worst political incident since the assassination of President Anwar Sadat in October 1981. It immediately prompted questions about possible foreign involvement.

President Saddam Hussein of Iraq has made repeated threats since he invaded Kuwait on August 2 to bring down regimes supporting the US military presence in the region. Egypt has sent 20,000 troops to Saudi Arabia to confront Iraq.

Even if the Iraqi regime had no hand in the killing, Baghdad is likely to try to reap advantage from the incident by pointing to the instability of the governments opposing it. Immediate suspicion for the killings fell on Islamic extremists. Mr Mahgoub, in his role as speaker of the National Democratic Party-dominated People's Assembly, had antagonised opposition groups which had complained about what they regarded as arbitrary rulings.

But Mr Mohammed Abdel-Halim Moussa, Egypt's interior minister, did not discount the possibility of foreign involvement.

Before the killings, Egypt had stepped up security at its ports of entry. The authorities have reported the arrest of a number of Palestinians and Iraqis on suspicion of planning acts of terrorism.

The assassination cast a shadow over the visit to Cairo this weekend of Mr Douglas Hurd, the Britain foreign secretary. Mr Hurd left for Cairo directly from the annual conference of Britain's *Conservative Party at Bournemouth.*

At the same time, Mr Edward Heath, the former British prime minister, *announced he had been asked by the* Iraqi authorities to postpone his planned weekend visit to Baghdad for a week. He is intending to obtain the release of sick and elderly British hostages held by Iraq.

Mr Abel Khalek Mahgoub (left) stands by the car in which his brother, Egypt's parliamentary speaker, died

The unexpected announcement on Thursday of his trip provoked speculation that the Iraqi leader might wish to use him in a mediating role. But Mrs Margaret Thatcher, the British prime *minister, told the party conference:* "You don't negotiate with someone who marches into another country, devas*tates it, killing whoever stands in his* way. You get him out, you make him pay and see that he is never in a position to do these things again."

Mrs Thatcher was clear that if sanctions did not work then "the military option is there and the build-up of forces continues. We must be ready for any contingency". Senior Tories expressed concern about the propaganda value to the Iraqis of Mr Heath's proposed visit. Mr Kenneth Baker, the Tory chairman, told BBC radio: "Saddam Hussein wants to try to attract into Iraq distinguished *world figures . . . to try to give some* credibility and credence to what he has done." On the same programme Mr Heath insisted: "I don't get exploited by anybody."

● Iraq has threatened to prevent Soviet nationals leaving Iraq and Kuwait if Moscow passes information about Iraqi military capability to the US. The warning came in advance of next week's visit to Moscow by Mr Richard Cheney, the US defence secretary. As Iraq's chief arms supplier, the Soviets have had access to sensitive military information.

Gulf reports, Page 2

US expected to indict senior Iraqis

By Alan Friedman in New York

A US grand jury investigating secret loans of \$3bn (£1.52bn) made to Baghdad is expected to indict on criminal charges two senior officials of the Iraqi government. The loans were made by the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL), Italy's largest bank.

The Iraqis, senior officials of the ministry of industry and military production but below cabinet level, are likely to be indicted on conspiracy, money laundering and bank fraud charges, with six US citizens who were party to the Atlanta loan operation.

Western intelligence officials have confirmed that up to \$1bn of the BNL money was used by Baghdad *to finance* the export of militarily-useful civilian technology and equipment from US and European companies that went into Iraq's development of conventional, ballistic missile and nuclear and chemical weapons projects.

The US Attorney's office in Atlanta, which has been working with investigators from the Pentagon, Central Intelligence Agency, Federal Reserve and US Department of Agriculture, yesterday declined to comment on the impending indictments, which are now in the process of being written.

It has been learnt, however, that among the people likely to be charged is Mr Raja Ali, director-general of the Iraqi ministry of industry and military production.

A former BNL executive who is co-operating with US authorities has alleged that Mr Ali, whom he *identified* via photographs, is one of the key participants in the BNL scandal.

The BNL indictments are politically difficult for the Bush Administration because their formal announcement could have an impact on *events in the Gulf.*

In June, before Iraq's invasion of Kuwait, the State Department was understood to have advised against the indictment of Iraqi government officials because of fears that such a move would anger President Saddam Hussein.

The Justice Department will forward the planned indictments to the State Department in the next week or two for review and it is believed the matter may eventually be examined by President Bush himself before a final decision on whether to proceed with the indictment.

The Atlanta grand jury has heard testimony from former BNL executives naming Mr Sadik Taha, a director-general of Iraq's central bank, Mr Ali and other Iraqis as key participants in both the bank loans and the setting up of an international procurement network of Iraqi agents seeking Western technologies.

Also named as involved, but not expected to be indicted, is Mr Hussein Kamal, the minister of industry and military production and son-in-law of President Saddam.

Next week the banking committee of the US House of Representatives will hold the first public hearings in the US on the BNL-Iraqi scandal.

Congressional investigators are expected to confirm that \$750m of the BNL loans, for grain, are still guaranteed by the US Commodity Credit Corporation.

*They are also likely to con*firm that as many as 50 separate US exports to Iraq were funded by the US Eximbank, which now has a total Iraqi exposure of \$80m.

Post-ERM sees switch from cash to shares

By Peter Martin

A SHARP rise in UK institutional investors' desire to switch out of cash and into shares and other investments is reported in a survey carried out just after Britain's entry into the exchange rate mechanism of the European Monetary System.

The Gallup survey, carried out on October 9 and 10 for Smith New Court, the investment house, questioned 100 investment managers responsible for £350m of assets.

Of the 100 institutions surveyed, 66 planned to decrease their cash balances, with only seven expecting an increase.

The most favoured home for the cash appeared to be UK equities. On balance, 49 per cent of investors planned to increase their investment in UK equities. (The figure represents the number expecting to raise their holdings minus the number expecting to lower them.) In September, the corresponding figure was 37 per cent.

Since September, investment managers have taken a more optimistic outlook for the UK economy. In October, 54 per cent said they expected the economic situation in the UK to improve in the next 12 months. There was a corresponding drop in the proportion of investors expecting the economy to get worse.

On balance, 65 per cent of investors expected the FT-SE 100 index to rise over the next 12 months; a balance of 21 per cent expected it to do so over *the next three months.*

Expectations for overseas stock markets were more pessi*mistic: 66 per cent expected the* Dow Jones Industrial Average to drop over the next three *months,* with *11* per cent, on balance, expecting a fall over the next 12 months. In the *short run, 15 per cent, on balance,* expected Tokyo's Nikkei index to fall.

Some 22 per cent of the investors said their decisions would be influenced "to a great extent" by Britain's entry into the exchange rate mechanism of the EMS. Another 52 per cent said they would be influenced "to some extent". Overall, 69 per cent welcomed the decision to enter the system; only 11 per cent were opposed.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)				PARIS (FFrs)			
Rises				**Rises**			
BMW	422	+	12	Bancaire Cie	397	+	16
Karstadt	831	+	12	Bouygues	420	+	18
Metallgesell	486	+	14	Dumez	596	+	17
Viag	342.5	+	11	La Henin	533	+	19
Falls				Valeo	330	+	9
Hapag Lloyd	340	−	10	**Falls**			
Porsche	732	−	18	Radiotech	380	−	10
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Chase Mnhttn.	12⅜	+	⅜	Iseki	1180	+	50
Coca-Cola	41⅝	+	1¼	Nippon Steel	416	+	6
Philip Morris	46	+	⅝	Taisei Paper	1010	+	30
Falls				**Falls**			
Chemical Bk.	12⅝	−	¾	Honshu Paper	2550	−	400
Compaq Comp.	37⅝	−	1⅛	Showa Elect.	620	−	30
Halliburton	48½	−	¾	Toei	856	−	24
New York prices at 12.30.							
LONDON (Pence)							
Rises				Bullers	7	−	2
British Land	285	+	8	Expamet Intl.	187	−	15
Courtaulds	320	+	7	GUS A	1058	−	17
Hammerson "A"	550	+	10	Lonrho	205	−	8
RHM	301	+	6	Maxwell Comms.	134	−	6
RTZ	418	+	17	Pearson	621	−	19
Tilbury	456	+	10	Racal Elecs.	149	−	4
Unilever	653	+	9	RMC	624	−	7
Vinten Grp.	159	+	10	Reed Intl.	333	−	7
Falls				Smith (W.H.)	360	−	4
AB Electronic	157	−	7	Standard Chart.	273	−	9
ADT	117	−	8	Tate & Lyle	249	−	3
Barclays	349	−	5				

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	29	84	Dallas †	S	8	46	Madeira	S	22	72	Prague	S	16	61
Algiers	F	31	88	Dublin	C	17	63	Madrid	S	22	72	Reykjavik	F	3	37
Amsterdam	S	19	66	Dubrovnik	S	24	75	Majorca	F	25	77	Rhodes	S	27	81
Athens	S	26	79	Edinburgh	F	16	61	Malaga	F	22	72	Rio de Janeiro		−	−
Bahrain	S	31	88	Faro	C	22	72	Malta	S	28	82	Rome	S	29	84
Barcelona	F	20	68	Florence	F	28	82	Manchester	S	18	64	Salzburg	S	23	73
Belfast	C	15	59	Frankfurt	S	17	63	Melbourne	C	12	54	S Francisco †	S	11	52
Belgrade	S	25	77	Geneva	S	19	66	Mexico City		−	−	Santiago		−	−
Berlin	S	18	64	Gibraltar	F	22	72	Miami †	F	26	79	Seoul	S	20	68
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

C-Cloudy. Dr-Drizzle. F-Fair. Fg-Fog. H-Hail. R-Rain. S-Sunny. Sl-Sleet. Sn-Snow. T-Thunder.
† Noon GMT temperatures

Pentos breaks book discount agreement

By Raymond Snoddy

INJUNCTIONS are expected to be sought against Mr Terry Maher, chairman of Pentos, the UK bookshop group, after it breached the net book agreement yesterday by selling new novels at a discount of about 25 per cent.

Mr Maher, a long term opponent of the net book agreement, which sets minimum retail prices for most books in the UK, started discounting the six novels on the Booker Prize shortlist at all his Dillons, Hat*chards, Claude Gill and Athena* bookshops.

Lies of Silence by Brian *Moore,* published by Bloomsbury at £12.99, was, for instance, being sold yesterday at £9.50 – a discount of 26 per cent.

Last year, Mr Maher failed to persuade *Sir Gordon Borrie,* director general of fair trading, to refer the agreement to the *Restrictive Practices Court* for a second examination. In 1962 the court decided that getting rid of the agreement would lead to fewer, more poorly stocked bookshops and higher prices.

The Pentos chairman was also disappointed that new legislation on restrictive practices is likely to be delayed. "I decided that it was time for a bolder initiative," said Mr Maher who believes that selective discounts on books such as the Booker Prize list will increase sales.

The Publishers Association has made it clear in the past that it would seek an injunction if there were deliberate breaches of the net book agreement.

Mr Clive Bradley, director of the association, was in meetings with lawyers last night *and unavailable* for comment. The indications in the industry were that either the association or a group of the publishers whose books are directly involved in the breach of the agreement would seek an injunction.

The publishers whose books are being discounted by Pentos are Chatto, Collins, Bloomsbury, Faber and Duckworth.

If no legal action is taken it is likely that the agreement will be quickly broken by others. W.H.Smith, the largest book retailer in the UK, is a strong supporter of the NBA. It has however made it clear that if Mr Maher were to breach the agreement successfully, then it would match him discount for discount.

Polly Peck

Continued from Page 1

had been run down by £200m *but it is not to say it has disappeared."*

He said much of the cash, which had been paid out between June 30 and the end of September, had been used as working capital. Fruit growers needed payment in advance and hotels required cash ahead of the Christmas season.

A further reason for giving *Polly Peck a one-month* extension, rather than putting it into immediate administration, was the concern of some banks that Polly Peck assets in Tur*key and northern Cyprus could* be nationalised to protect them from an insolvency in the UK.

Faced with this, banks decided it was better to keep the company afloat. "That is the reluctant conclusion that most people have now come to," said one of those at the meeting.

Polly Peck will also need to *persuade holders of* its commercial paper and SFr600m (£240m) of bonds to agree to a standstill on debt repayments, before it can be sure of having escaped insolvency.

Mr Nadir did not produce the £70m that he told bankers he would remit from northern Cyprus to meet liquidity problems. Instead, he said the company had received formal confirmation from banks of a payment of around £5m.

Mr Nadir also told the banks that he was moving ahead with *plans to sell assets to bring* down the group's borrowings, which last week the company said were £1.3bn.

THE LEX COLUMN

A lack of trust in the ERM

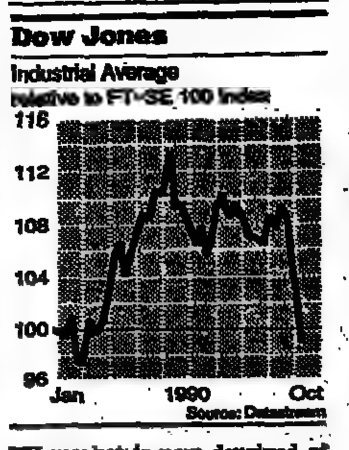
"Aside from flurries in the oil sector, where the Gulf war scare influences have been countered by waning Iraqi enthusiasm and apparent Saudi readiness to open the taps wider, the equity market has been drifting quietly this week." Thus the Lex column this time 10 years ago. The *comparison* should perhaps not be pushed: the September 1980 inflation figure was 15.9 per *cent and falling, against* yesterday's figure of 10.9 per cent and possibly rising; and ster*ling, still holding yesterday* a whisker above DM 3.00, then stood at DM 4.50. But there are *nagging parallels all the same:* "the profits trend is clearly worrying ... the main bull point remains the *possibility of a fall* in interest rates."

It is not strictly true, of course, that the market has been drifting quietly. But if one takes out the extraordinarily brief explosion caused by ERM entry, both equities and gilts are very little changed from before. *The same* holds good for trading volume: more than double the average rate on Monday and *Tuesday,* and by yesterday back to a trickle. Through the week, the institutions seem if anything to have been net sellers. The cut in interest rates has evidently been greeted with suspicion: either an official admission of worse recession than hitherto realised, or a blatant piece of politics to be followed by renewed tightening later.

As the retreat of sterling against the D-mark shows, the foreign investment community has not been fully convinced either. But if UK home owners are being urged not to take out cheap continental mortgages on account of the exchange rate risk, *it is wholly consist*ent for continental investors to fight shy of UK bonds and equities. *The modest yield pre*mium on UK gilts versus French government bonds is attractive only on the hypothesis that sterling can no longer depreciate. In a week when UK inflation has regained peaks not seen since the early 1980s, that hypothesis lacks appeal.

It remains hard to see an urgent case for UK equities in the short term. The linkage with Wall Street remains. And it is easy to sympathise with those bearish US analysts who argue that if it were not for the Gulf crisis, the market would be lower again as a result of domestic Budget worries, corporate earnings and the finan*cial system.* The US third quarter results season, getting into its swing next week, is *unlikely to help. And while the* UK market is now deprived of its diet of domestic bad news by the *ending of its own* interim results season, ICI's third quarter figures are due the week after next.

FT-SE Index: 2,100.4 (−1.8)



Gilts

Despite this week's headlines about overshoots in UK government *spending, a speedy* return to issuing gilts would be cosmetic rather than necessary. This year the borrowing requirement is non-existent or very limited. The chancellor's Mansion House speech next Thursday and the Autumn statement in early November should be the occasions for much-needed guidance on funding policy, although the picture is pretty clear for 1990-91. The following financial year is another matter. Sales of around £8bn of gilts will probably be needed then; some £6.8bn is due for redemption anyway, while government spending plans mean the PSBR should re-enter common usage.

In the meantime it is hard to see a rosy horizon for gilts. Mrs *Thatcher's speech to the Tory* conference yesterday did nothing to diminish the fear that a pre-election *massaging* of the economy might be in train. While the fight against inflation is far from won, talk of future tax cuts inspires only fear in bond investors.

Perhaps smaller dealers in the overcrowded UK gilts market should therefore not be too keen on the possible issuance of new paper in the next few months. Securities houses tend to stay in markets in the hope that good times are around the corner. But with new issues up for grabs, excuses begin to wear thin; it would quickly become *obvious* who was making money. It would be ironic indeed if a return to long-term borrowing by the government were to trigger an overdue rationalisation in the sector.

The Bank of England's recent adoption of a proposal to allow gilt market makers to trade Ecu bonds thus has a hard edge. It also seems to signal that Mr Major is thinking about killing two birds with one stone; a small experiment with Ecu-denominated gilts would be very convenient for his Euro-credibility.

Polly Peck

The Polly Peck affair threatens to revive disturbing questions about the way the City of London is run. The suspicion is growing that the bankers who chose to lend Polly Peck more than £1bn are being allowed all the decision-making power about whether the company *should live or die,* with no thought for the shareholders. The natural arbiter between the *two camps* is surely the Bank of England. Indeed the Bank's traditional claim to be the *even-handed leader of the* City will look threadbare if it does not make its presence felt *over Polly Peck.*

Perhaps the Bank is already doing so, for the pensioners, *policyholders* and private individuals who own the bulk of the company. It is encouraging that the bankers yesterday permitted Mr Nadir another month's financial grace. So is the fact that the Bank *is* circulating ideas for an orderly "London approach" to corporate liquidity crises. But actions speak considerably louder than confidential memoranda from Threadneedle Street. On the record so far regarding Polly Peck, its shareholders have little reason for confidence in the authorities.

Shareholders have four complaints. First, they have not been given by Polly Peck any *of the financial information* made available to the bankers. Second, shareholders are get*ting no independent merchant* banking advice: Polly Peck's chief adviser, Chartered WestLB, is half-owned by the company's leading creditor. Third, Polly Peck's board has fought hard against the notion that Mr Nadir must stand down as chairman. And, fourth, though the idea of injecting new equity capital has doubtless been raised in smoke-filled rooms, it has not been mooted seriously with institutional investors. The Bank of England has the authority to knock heads together and see that these four points are dealt with immediately; it is hard to see *why it has not done so.*

Weekend FT

SECTION II

Weekend October 13/October 14 1990

*Sotheby's hopes to auction a fabulous Roman treasure — but three governments claim that the collection belongs to them. **Antony Thorncroft** investigates allegations of smuggling, deception and shady deals*

The silver hoard with a murky past

SOME TIME in the mid 1970s, perhaps in the Bekaa Valley of Lebanon, or in Croatia in northern Yugoslavia, or just possibly in the Lake Balaton region of Hungary, someone stumbled upon a cave. Inside was a corroded copper cauldron and inside the cauldron was one of the finest hoards of antique silver *never* to appear on the market — or, more regrettably, on public display in a museum.

The "Sevso" Treasure is now in New York where it is the subject of a court case between Sotheby's and the Government of Lebanon, which claims it was illegally exported from its shores. Very interested observers are the authorities in Yugoslavia and Hungary, who also want to "repatriate" the hoard, and the Marquess of Northampton who, through a family trust, is in the unhappy position of apparently owning pieces of silver which Sotheby's conservatively values at £50m but which seem destined to spend the next few years in the vault of a bank.

The argument about the Sevso treasure is the latest and most dramatic in a long run of controversies attached to the trade in antiquities. It is not hard to see why the business has a doubtful reputation. Treasure hidden underground, as part of a burial ritual, or in a desperate panic, or lost beneath the sea through a maritime disaster, soon loses touch with its owners. Although governments have now assumed control over their national antiquities many of the finest relics have been found in areas where legal authority is light and recent.

If a Bedouin needs money it is easy for him to rob a long disregarded cemetery in the desert. Or if he comes across ornaments, or antique artifacts, or scrolls, in a desert cave he will traditionally cash them in with local antique dealers rather than take them to the authorities. The robbing of Etruscan, Roman and Greek tombs in Italy is one of the oldest national professions, with a well established export route. In China the flood of Tang Dynasty grave goods on to the Hong Kong market suggests that the Chinese government is well aware of the profits from a trade it certainly controls. But the Sevso hoard is by far the most important find in decades, one which will set scholar against scholar, provide dealers with endless gossip — and enrich lawyers in a succession of court cases.

It is generally accepted that the 14 silver treasures which have come to light belonged to a high ranking Roman soldier named Sevso, a Barbarian of German or Celtic origin, who held important posts in the Empire, perhaps in the 4th century AD. His name is inscribed on the centrepiece of the collection, a magnificent hunting plate, 70.5cm in diameter, decorated with a scene of a banquet in a forest. The plate also carries the word Pelso, the ancient name for a lake in Hungary, hence the interest of that government. After that it is just questions, questions, questions.

There are basically two stories: the account put out by Sotheby's when it announced in February that it hoped to sell the silver on behalf of the Marquess of Northampton; the other based on rumours in the trade, which have alerted both Interpol and the re-constituted Scotland Yard Art and Antiques Squad, now considering whether to make arrests on charges of deception and conspiracy.

The unofficial story, being investigated by the police, is much the more exciting. According to this version, during a military exercise in a restricted area in Yugoslavia, some soldiers pulled away rocks and uncovered a cave. It was stuffed with treasure, not just the cauldron holding the 14 items of silver but at least 16 other silver pieces, and possibly some marble statuary. The soldiers reported the find to officers, who did the normal thing in Yugoslavia at that time — alerted members of President Tito's family.

They saw the chance of a hard currency nest egg, and it is said the silver was spirited away to Switzerland, to a rich collector, now dead. He was astonished by the richness of the find and called in the experts, notably Peter Wilson, who had just retired as chairman of Sotheby's, and two London based dealers in antiquities.

The suggestion is that the decision was taken to gloss over the origin of the silver and to produce documents purporting to confirm Lebanon as the source. As Scotland Yard's interim report on Sevso baldly points out: "The custom of purchasing false Lebanese export documents for antiquities is well known in the antique world." Few potential buyers would risk conducting an in-depth confirmation on the spot.

The next master stroke was to sell some of the silver to the apparently unwitting Marquess of Northampton. His family had a tradition of collecting (although in recent years it was better known for its spectacular sales of family treasures, such as the Greek vases from Castle Ashby in 1980) and he would immediately confer an impressive provenance.

He probably paid around £4m for the silver but in 1984 an attempt was made to sell it to the Getty Museum in Malibu, California. The museum examined the export documents and considered them to be fakes. Nothing more was heard of the treasure until February this year, when Sotheby's announced that it was selling it on behalf of Lord Northampton — and selling it in Switzerland, where any buyer would have automatic right of ownership.

Sotheby's story is simpler. The silver comes from the Lebanon. It has documentation confirming this from the Lebanese Embassy in Switzerland. It wrote to the governments of all the nations whose territory had formed part of the Roman Empire asking whether they had lost such treasures. But it would consider any other claim on origins. It is an irony that Lebanon is basing its case on Sotheby's assertion that the silver was found in Lebanon while maintaining that the export documents are forgeries.

In its public posture Sotheby's seems to realise that it is tip-toeing over a minefield. Wilson may be dead but even in retirement he found it difficult to distinguish between his own interests and those of Sotheby's. If it all ends in a messy court case he may make or break the reputation of Sotheby's from beyond the grave.

Clues to a mystery: the magnificent silver hunting plate inscribed with the names Sevso, on the rim, and Pelso

The auction house must wonder whether sales of antiquities are worth the risks: they invariably cause trouble. The last big sale in London in July also led to a court case. The Greek government claimed that a group of Cycladic figures up for sale from the celebrated collection of Hans and Marie-Louise Erlenmeyer had been smuggled out of the country. A British judge decided that the Greeks could not definitely prove illegal export, and that the Athens government should have remonstrated earlier, not three days before the auction.

The Bronze Age sculptures had almost certainly been carved over 4,000 years ago on the island of Keros which was not professionally excavated until the 1960s. The Erlenmeyers had bought the sculptures in good faith in the 1950s; hence the Greek government's contention that they had been smuggled out, and should be returned under the doctrine of eminent domain, which declares that antiquities belong to the country in which they were found.

In the end Sotheby's arranged a private deal, selling three objects, including the most important, a male figure probably broken apart ritually in antiquity and valued at £200,000, to the Greek government before the auction.

Sotheby's feels some grievances. The authorities, be they governments or museums, only become aware of suspect antiquities when they are publicised in its catalogues. A British Museum curator leafing through a catalogue spots some attic vases fresh on the market and concludes, probably rightly, that they were recently dug up from a previously unknown Roman grave. Letters are sent to the the press; the auction attracts bad publicity; buyers shy off; and the objects are left unsold.

Sotheby's says that it always turns away suspect objects and that, anyway, no robber or crooked dealer would try to dispose of goods in such a public manner. It suggests that those museums which make a fuss cannot afford to buy the antiquities on the open market, and usually have thousands of similar objects hidden away out of sight in their vaults.

As Sotheby's director, Marcus Linnell, points out: "We cannot actually know three quarters of the time where something we are offered comes from." He picks up the catalogue of the most recent sale of medieval and Renaissance works of art. "Of 36 lots here valued at over £10,000 only eight have a failsafe provenance. For 28 we have to rely on the integrity of the vendor or the vendor's vendor."

Sotheby's pragmatic approach is shared by the British government. Unlike Greece, Turkey, or Egypt there are few priceless treasures still to be found in British soil, and the government has yet to ratify the 1970 Unesco convention which would enforce the return of smuggled antiquities to the nation of origin.

Although the convention applies only to antiquities that have been illegally traded since 1970, the UK government has an aversion to any international law which might bring into question its own national collections built on imperial looting. It also has some natural sympathy with owners who have bought antiquities in good faith. Moreover, it is not considered to be a British problem.

In this the UK authorities are mistaken. In 1982 the British Museum was asked to look at some bronze figures shaped as animals found in a field near Icklingham in Norfolk. It authenticated them as being of Roman origin and of great interest. Last year some appeared for sale, at prices ranging up to $350,000, in a New York gallery, where they had arrived via a successful metal detecting hunt and a London dealer. The lax enforcement of the law of Treasure Trove, (which covers objects of gold and silver and would not have applied to the Icklingham bronzes), and the loose control over exports, suggest that only lack of international interest in British antiquities prevents a serious loss of heritage.

What can be achieved through the Unesco convention, and the vigour of judges, was illustrated in the US last year when an American dealer, Peggy Goldberg, was forced to return a group of 6th century mosaics which had been looted from Cypriot churches in the north of the country following the Turkish invasion.

Goldberg was offering the mosaics for sale at $20m and contended that she had proved to her own satisfaction that they had not been looted. But the judge referred to art books, illustrating the mosaics in their ecclesiastical glory, which an expert like Goldberg should know well. The implications of the judgment will have frozen the blood of many antiquities dealers.

Frozen their blood but not cooled their ardour. For antiquities have become in the past three years one of the most sought after areas for collectors. In 1987 a Celtic brooch of the 5th century BC topped £1.2m; in 1988 a Cycladic marble head of a goddess, £1.1m; last June Sotheby's achieved a record $1.8m for a Greek vase, and in July a record £528,000 for an Egyptian antiquity, a 3,500 year old faience hippo. When Etruscan bronzes and Egyptian jewellery could be bought for a hundred pounds or so the trade in antiquities remained amateurish and scholarly. Now the big money has drawn in some very commercially minded operators.

While international conventions may make the smugglers' task more difficult the approach of the pan-European market in theory removes even the flimsy current controls over the export of goods, including antiquities. How Greece and Italy, in particular, will manage to retain their treasures awaits the deliberations of the bureaucrats. The blanket restrictions on export have not helped much, but at least they offered the fig leaf of control.

Perhaps a more realistic approach at ground level, offering the local finders of antiquities fairer compensation, would discourage the most blatant destruction of irreplaceable sites. Perhaps the hammer blows from successful prosecutions when, and if, the Sevso treasure finally comes up in court, will nail the problem. The growing and vociferous heritage lobby will be looking for a result.

From the mid-Atlantic to the mainland

The Long View

BARRY RILEY

British investors are working out how financial and economic European unity should change their global priorities

AT LAST we have joined the in-crowd. But what exactly are investment strategists to make of the fact that at 9 am last Monday the United Kingdom joined the European Exchange Rate Mechanism?

In the past the UK's financial markets have not moved especially in line with those of the continent. Sterling, for instance, has often steered a midway path between the dollar and the deutschemark. The London stock market has tended to move much more closely in line with Wall Street than it has with the bourses in Frankfurt or Paris.

But it seems inevitable that the dropping of the British financial anchor off north-west Europe has ended the UK's floating role as a mid-Atlantic position-taker. Strategically the world's chief markets are likely to be ever more emphatically divided into three camps: a Far Eastern zone based upon Tokyo, a European zone and a North American zone.

Barring the occasional 1987-type shock the movements in these three zones may not be at all closely correlated. For example, whereas the Japanese stock market has fallen by 30 per cent over the past 12 months, as measured by the FT-Actuaries world index series in dollars, the US market is down 15 per cent and the Europe index is up 9 per cent.

It is true that this notion of European stock market integration was scarcely promoted this week by the launch of a new International Stock Exchange index, the FT-SE Eurotrack 100, which actually excludes the UK. But it was just bad luck that the new index was unveiled a day after Britain's ERM entry. A parallel index which *will* include the UK was already set for a 1991 launch.

British investors have already begun to take much more serious interest in continental stock markets. You can see this from the portfolios of pension funds, which in the past usually held only nominal amounts of continental equities, preferring to invest in the much bigger and more buoyant markets of the US and Japan. But in 1989, while the proportion of the average pension fund invested in overseas equities rose markedly from 18 to 24 per cent, the exposure to continental Europe jumped still more sharply from 5 to 10 per cent (with about 8 per cent exposure to EC member states).

Thus Europe has eclipsed Japan (4 per cent) as far as UK pension funds are concerned, although it is always impossible to say how much this kind of movement reflects a tactical shift (given Tokyo's obvious overvaluation last year, and its crash in 1990) rather than a strategic decision to realign a portfolio. As for unit trusts, incidentally, European funds are now significantly bigger than all the Far Eastern funds combined.

If pension funds had invested strictly in proportion to the sizes of the various national stock markets they would only be allocating some 15 per cent of their non-UK equity portfolios in the rest of the EC — about 4 per cent of their total assets. Compared with the actual 8 per cent, that provides a measure of how overcommitted to continental Europe they have already become.

In the long run, a decision by the managers of British investment institutions to direct money still more heavily into Continental stocks will be based on a view that there will be a closer match *against* the liabilities of the funds. That is, integration of the European economy will cause continental investments to become a more appropriate way of financing future pensions in Britain. At present the 8 per cent in the rest of the EC (plus 2 per cent in other continental countries which are increasingly shadowing the ERM) compares with 56 per cent invested by pension funds in UK equities. If we ever get as far as European Monetary Union it will be more sensible to view the 64 per cent in the EC as a single unit.

That union is a long way off, but a more immediate linkage will come through interest rates, and especially through the bond markets. Now that sterling is in the ERM, the UK Treasury must watch continental interest rates like a hawk. Dollar interest rates no longer matter, in any direct sense. Instead, the Treasury must take Spanish interest rates much more seriously than it has ever done before, because the peseta happens to be the strongest currency in the EMS, and if sterling should weaken it will determine the point at which intervention will have to take place. So professional investors have to watch the peseta and Spanish interest rates too.

Gilt-edged yields will become locked into an ever-closer relationship with continental government bond yields, and equity prices in the UK will correspondingly be constrained through yield ratio considerations. At present the place of British government bonds within the European spectrum continues to be rather vague, because there is still no new issue flow, but next year a restored public sector deficit will require financing and interest rates on gilts will come into a more permanent equilibrium with continental bond yields.

There will then be scope for debate about whether the UK's traditionally high ratio of gilt yields to equity yields will be appropriate given the anti-inflationary impact of ERM participation. Dividend growth, in nominal terms, may come right down. But once a new relationship between bond and equity yields is established the UK stock market seems bound to become much more firmly linked to Continental forces. Wall Street will be largely left to go its own sweet way; lunchtime, ahead of the New York opening, will be much more relaxed for London's equity market traders.

These are difficult subjects, but when you go into a fixed but floating relationship you may take a while to regain your bearings.

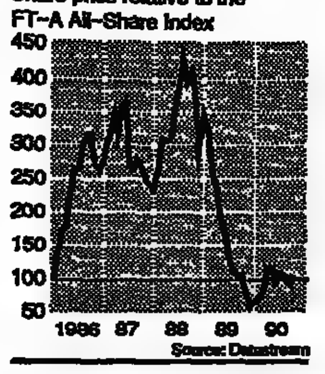
CONTENTS

MARKETS — THE ERM

FINANCE & THE FAMILY: THIS WEEK

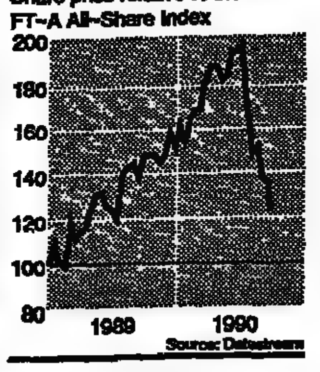
Amstrad

Share price relative to the FT-A All-Share Index



Reuters

Share price relative to the FT-A All-Share Index



Amstrad profits down 43%

The 43 per cent fall in Amstrad's annual pre-tax profits, *which was announced on Wednesday, was no surprise* after the long slide from the happier times in August 1988 when the shares reached 234p.

The price only eased 3p to 62p on *the news and* analysts said that while the macro-economic conditions were casting a cloud over the electronics group, prospects were good in the European satellite television sector.

Chairman and founder Alan Sugar was buoyant about the *future and the shares have at least picked up from their* nadir of 37p in December 1989. *Peter John*

Double blow for Reuters

Worries over the delays in delivery of Reuters' new automatic dealing systems were compounded this week by the effect of Britain's entry into the ERM.

The company does 80 per cent *of its business overseas* and has been hit by by the fillip that ERM entry has given to sterling. The share price, which tends to follow New York, where 45 per cent of the stock is held, fell sharply on heavy turnover in the early part of the week from 773p — *only 60 per cent of their July peak of* 1,314p — but were given a boost by Henderson Crosthwaite, the UK broker, which decided that the company was ready to turn the corner and it was time to buy. *Peter John*

Gartmore to launch TESSAs

Gartmore announced this week that it will be launching a range of TESSAs, the Tax Exempt Special Savings Accounts which the Chancellor introduced in this year's Budget as an incentive for savers.

TESSAs come into operation on January 1 1991, but many building societies have already launched pre-TESSA accounts with which they hope to woo deposits.

Gartmore is planning to launch three separate TESSAs with varying degrees of flexibility, and in each case interest will be credited quarterly. Although you have to lock away your *initial investment for five years, you can withdraw the* interest net of basic rate tax. *Sara Webb*

'Open season' on investment trusts

County NatWest WoodMac's investment trust annual argues that the demise of Globe shows that it is open season for predators to attack the big diversified trusts.

The fact that neither the Office of Fair Trading nor the press *rushed to support Globe showed that the way was open for* further bids. The authors argue that this is good news for institutional investors but bad news for the industry, and by extension, private investors, who can face Capital Gains Tax and other problems when trusts are taken over. *Philip Coggan*

Lloyds looks to Luxembourg

Lloyds Bank has become the latest group to launch a Luxembourg-based umbrella fund called Lloyds International Portfolio. The portfolio consists of nine currency bond funds, convertible bond fund, a warrant fund and three equity *funds*.

Equity funds on offer cover gold, smaller companies and UK equities; the bond funds include US dollar, yen, Deutschemark, and sterling.

The minimum investment is US$10,000; no dividends will be *paid and all income will be reinvested. There is a* 2.25 *per* cent initial fee but no charge for switching between the various funds within the umbrella; there is an annual management charge of 1 per cent. *Philip Coggan*

INSIDE . . .

Mortgages: the latest rates

Banks and building societies have moved swiftly to cut mortgage rates since the UK entered the ERM. **Philip Coggan** lists the latest offers. Plus what to do with a Polly Peck put or call option, and a focus on Dunedin, a fund management group with a long pedigree. **Page IV**

Plan ahead to beat the taxman

Sara Webb continues her in-depth look at the pitfalls of inheritance tax. Plus **Richard Lapper** with news of a novel — *and potentially cheaper — method of acquiring a car.* **Page VI**

No time to despair

In the final part of our Seven Ages series, **Sara Webb** *gives* advice for the elderly, especially widows and widowers. Plus why insurance companies are eying the female factor. **Page VII**

■ **BRIEFCASE:** *make allowances for children* — **Page VI**

LONDON

After the party: a sobering week

MONDAY morning dawned bright and clear, the first day of the rest of our lives as full members of the European Monetary System. The sky was blue over London and blue screens in dealing rooms, showed rising share prices.

Bliss was it to be a young trader, hurrying to work anxious to continue the rally in sterling and shares which had been started by John Major's announcement at 4pm on Friday last week of Britain's entry *into the Exchange Rate Mechanism* and a one percentage point cut in bank base rates.

Frantic dealing saw the FT-SE 100 index surge by more than 6 per cent within minutes of opening on Monday, but it soon peaked and then started a *steady decline which has continued* for the rest of the week.

The pound also closed below its early highs at DM3.03 — well short of its *DM3.132* ceiling within the ERM. Many had believed this would be tested by overseas investors keen to benefit from Britain's still-high interest rates, now that the exchange rate was locked into the ERM.

So what happened to all that weekend euphoria?

Much of the initial increase in the index reflected the addition of gains from after-hours trading last Friday. However, stockbrokers were also determined *not to be caught out if* the market really was about to take off. Traders were instructed to mark up their prices until they found sellers as well as buyers.

Their success in provoking two-way trading was reflected *by the leap in the volume of* shares traded on Monday to 1.09bn, near the record a few months before the stock market crash in October, 1987.

Having kept much of their funds liquid, investment managers were prepared to buy selectively. But they were also taking profits on other parts of their portfolios. It quickly became clear that there was to be no headlong rush into British equities.

Nor was there any sign of a "wall of money" from overseas going into shares or sterling. Indeed in the market for gilt-edged securities, long-dated *stocks closed lower on Monday* and drifted for the rest of the week — an indication that traders and investors were still sceptical about the government's ability to reduce inflation.

The weekend had clearly *given investors time to ponder* warnings that the chancellor had put sterling into the ERM at a level which would prove most uncomfortably high for British manufacturers and companies with large overseas earnings.

The market also focused during the week *on more familiar* concerns: President Bush's apparent impotence in relation to the US budget deficit and President Saddam Hussein's intransigence over just about everything.

Although last weekend's stand-off between the White House and Congress has been patched up, there are growing fears about Wall Street's weakness and the threat of a full-scale recession in the US.

By Tuesday it as back to gloom as usual on the Gulf front. The killing of 19 Arabs at a demonstration in Jerusalem on Monday night led President Hussein's to threaten a retaliatory missile strike against *Israel*. That was enough to send the price of North Sea Brent crude oil over $40 a barrel and the FT-SE 100 down by 67.5 points.

With so much politics to digest, the market had little corporate news to bite on — and that little had a rather discouraging flavour.

Amstrad, the computer and consumer electronics group, reported a 43 per cent drop in pre-tax profits for the year to June. Alan Sugar, its founder, chairman and chief executive, blamed bad management for the two worst years in the company's history. However, Sugar insisted that his group was now in good shape to face the future.

Laura Ashley, famous for its floral frocks and fabrics, showed why the retailer had recently cut 1,000 jobs from its manufacturing side. The group said pre-tax profits in the first half were down 95 per cent and passed its interim dividend.

The tale of woe from the high street continued with Austin Reed, the clothing retailer and manufacturer, announcing a pre-tax profits fall of 56 per cent in the first half.

Vultures still circled *over* the stricken Polly Peck International, the fruit trading and consumer electronics group, which had its shares suspended last month. Yesterday bankers said they would continue to support the company for another month to allow investigations to continue, but news of a missing £200m will not encourage shareholders.

There was no escaping politics, however, in a week when the Conservatives were gathered for their conference at Bournemouth. The cynical reaction of the City was epitomised by a note from the brokers UBS Phillips & Drew, which *referred* to Mr Major's Election Resuscitation Machine.

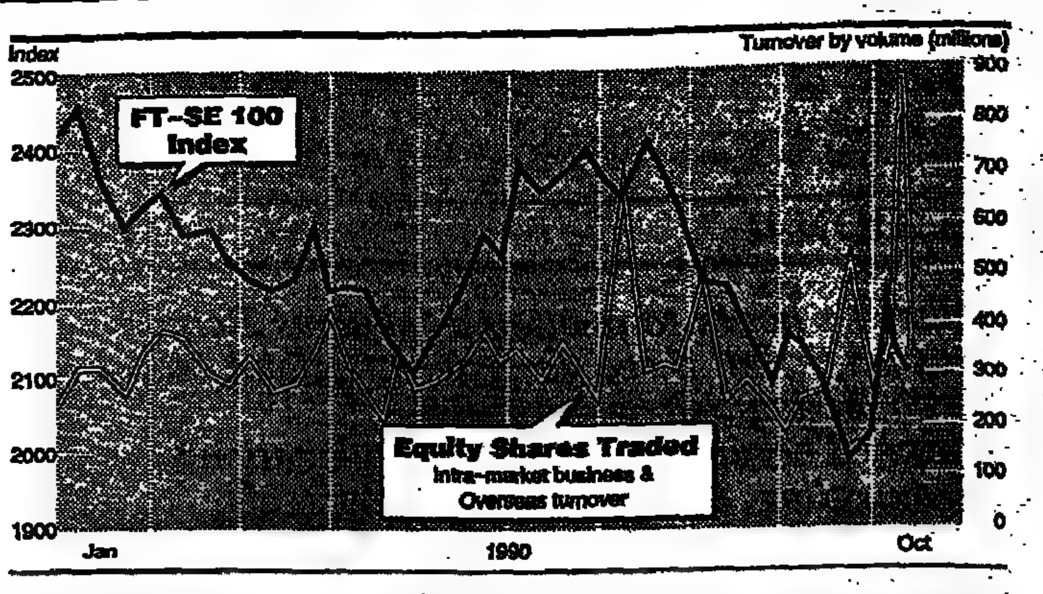
Jokes about resuscitation machines - or any other piece of medical equipment — would have *elicited* a hollow laugh from Kenneth Clarke, the health secretary. A leak about the difficulties in the current public spending negotiations *suggested* that the government was likely to both exceed its public spending target of £192.3bn by at least £8bn and still fail to please voters. This only contributed to the market's unease.

The prime minister must have been *grateful that* yesterday's Retail Price Index figure just failed to exceed 11 per cent hours before she addressed the conference. At the same time the market learned that the cost of materials and fuels for producers rose by 2.2 per cent in September, the biggest monthly rise for 14 years. Some 70 per cent of the increase was blamed on the Gulf crisis, but analysts said the figure underlined the inflationary risks.

On the other hand, the Confederation of British Industry said that the level of pay increases in manufacturing had fallen for the first time in more than two years, as the economic slowdown began to affect pay negotiations.

When the FT-SE finally closed last night at 2100.4, it was exactly 50 points above its level before the entry to ERM was announced - a mere 2.4 per cent increase. Last Friday's frenzy seemed a distant and rapidly fading memory.

Andrew Bolger



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	2100.4	-43.5	2463.7	1990.2	Reaction to ERM/Gulf developments
Barclays	349	-21	428	290	Bad debt worries
Cable & Wireless	412	-45	595	393	Broker d'ngrades/switch recs/week $
Cadbury Schweppes	310	-18	378	302	General Cinema sells stake
Cookson	67xd	-7	306	48	Investment house cuts profits f'cast
Davies & Newman	145	-50	775	73	Dan Air loses Intasun contract
First Technology	110	-180	500	85	Profits warning
GEC	180½	-14½	245	174	UBS profits downgrade
GRE	188	-11	267	164	Broker's 'sell' recommendation
Havelock Europe	130	+18	144	102	Good interim statement
Higgs & Hill	286	+19	466	262	Lower interest rates
Lucas Inds	116	-14	174	102	$ exposure/weak car market
Midland Bank	192	-20	404	187	HK bk merger postponed/debt worries
RMC Group	624	+24	745	470	Joint venture in eastern Germany
Rank Organisation	615	+45	875	514	Beneficiary of lower interest rates

WALL STREET

Bulls, bears, and wimps

WHAT MAKES your hair stand more on end: a bully in Baghdad or a wimp in the White House?

That was the question facing *Wall Street* this week as market sentiment took a another turn for the worse, with the Dow Jones industrial average dropping more than 150 points *in just three days. That took it* to its lowest point in 18 months and coincidentally ushered in the *official* start of a bear market.

For by *Thursday night* the Dow had dropped more than 21 per cent from the record high of 2999.75 set in mid July, and that meets the most common *definition of* a bear market, which is a drop of one fifth in the value of stocks.

Behind this week's dive lay a new combination of the three factors which have dominated the markets since August: the Gulf crisis, the threat of a *US* recession and the squabbling in Washington over the budget deficit.

Oil prices rose to more than $41 a barrel, and stocks duly declined, *in response to the* killing of 19 Palestinian demonstrators in Jerusalem and theats from Iraq's Saddam Hussein to unleash some frightening new weapon of war against Israel.

And if that were not enough to destroy the market's confidence, President Bush weighed in with an extraordinary display of vacillation over policies to break the Congressional *budget deadlock*.

Five times in three days the President appeared to shift position on whether he would be prepared to accept higher top income tax rates, as demanded by the Democrats who control Congress, in exchange for a cut in the capital gains tax.

His dithering has serious implications. For one thing, it makes harder the negotiation of a compromise deficit-reduction package by the deadline of October 19; it also calls into question his ability to give an economic lead to the nation and could make his stand against Saddam Hussein less effective. With his popularity *ratings tumbling, some commentators* are beginning to ask whether he is such a sure re-election prospect in 1992.

All this uncertainty is bound to increase market jitters, but there are also practical ramifications to the mess in Washington. Until there is a watertight budget agreement, the Federal Reserve does not want to cut interest rates, fearing the inflation which still *threatens the economy*.

Indeed, *its* concern will have been reinforced yesterday by a 1.6 per cent upward leap in September's producer price index. Although largely due to a surge in oil prices, there was also a bigger than expected *jump in non food and energy* components.

In any event, the Fed's room to ease monetary policy is limited by the upward trend of international rates and *the* weakness of the dollar, which fell this week to yet another post-war low against the Deutschemark. And as the value of the currency drops, so foreign investors are unloading US stocks to avoid further exchange rate losses.

Still, any monetary easing would be of some relief to heavily indebted industry as the US teeters on the brink of recession. Indeed, *The Wall Street Journal* went so far this week as to proclaim, in a front-page feature, that most economists believe recession is already here, and many now think it will be severe.

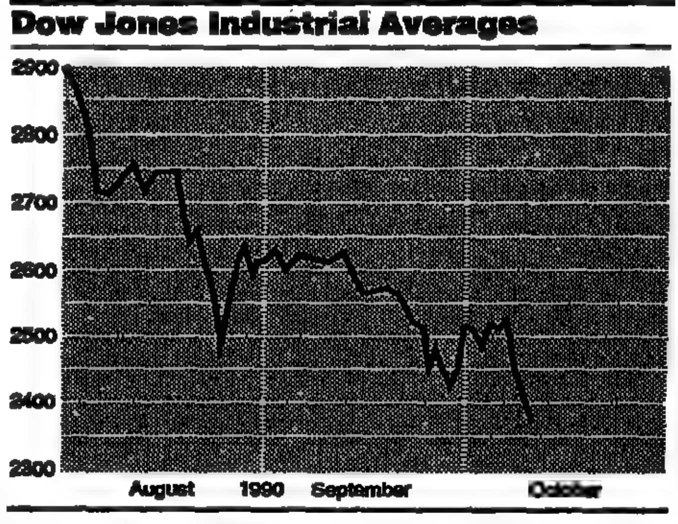
Nowhere are business's problems more evident than in the commercial *banking* sector, which is weighed down by huge amounts of poorly performing corporate debt and loans to the real estate industry *which have soured as property* values have plummetted.

The severity of the problem was underlined on Thursday when Chemical Bank, the seventh largest *in the country*, slashed its third quarter dividend by 63 per cent and *revealed* a $850m bad *debt* provision, due mainly to commercial real estate.

This came hard on the heels of a halving of the third quarter *dividend at Chase Manhattan*, another large New York money centre bank and prompted Jim McDermott, a banking analyst at Keefe *Bruyette & Woods, to declare* that the entire sector's dividend policy "*might* have to be viewed in a *different* light."

Combine all this with worse-than-expected profits from Motorola, the highly regarded electronics group, and you get a market which this week has been able to see little or no light at the end of the tunnel.

Dow Jones Industrial Averages



Monday	2523.76	+ 13.12
Tuesday	2445.54	− 78.22
Wednesday	2407.92	− 37.62
Thursday	2365.10	− 42.82

Martin Dickson

SMALLER COMPANIES

At last, the good news

DESPITE THE recent short-lived rise in share prices, Britain's entry into the European Exchange Rate Mechanism should still have a significant impact on the performance of UK businesses. However, exposure will not be uniform and could well act in favour of smaller companies.

Possible effects of joining the ERM could include a further decline in interest rates and lower inflation in the long term. Both should disproportionately benefit smaller companies.

The most immediate impact will be through lower interest rates. The general consensus — though the figures are subject to some debate — is *that*, on average, smaller companies tend to have higher borrowings, or greater debt-to-equity ratios, than their larger counterparts.

Until 12 months ago, the ready willingness of banks to lend money tempted many smaller companies to rely on borrowings. They were often subject to higher rates than larger companies, which had better credit ratings and greater bargaining power.

Many companies, in any case, would have found little investor interest if they had *issued new equity*. They therefore had no alternative but to turn to the banks.

With lower base rates, smaller companies should benefit disproportionately as their interest payments become more manageable. County NatWest's smaller companies index, for example, is 4 per cent overweight in both contracting/construction and property — two sectors which tend to be *highly dependent* on bank borrowings.

The relatively high level of sterling means that larger companies, many of which depend heavily on overseas markets, will be hit by a potential squeeze on their margins as they attempt to compete with products priced in foreign currencies. The translation *of* overseas currency earnings will also be affected.

Smaller companies, by contrast, tend to be more closely tied to the UK economy, with a lesser degree of exposure abroad. Indeed, if they import goods for processing, the high value of the pound will be in their favour since their costs will be reduced. Lower UK interest rates should also help stimulate consumer demand and boost domestic growth.

For much of 1990, the warning signs of British economic downturn have steered investors towards shares in overseas companies or in UK groups with substantial *foreign* earnings. That has led smaller company shares to be downgraded relative to their larger brethren.

The Datastream USM Index has underperformed the FT All-Share by 38 per cent since the start of 1989; and the All-Share itself has underperformed the FT-SE 100 by 6.7 per cent over the same period.

Part of this under-performance may be caused by the illiquidity of smaller company shares, which encourages market makers to slash prices to discourage investors from selling stock. But on the same grounds, a reappraisal of smaller company prospects might cause a sharp jump in their prices as investors chase the limited amounts of stock available.

However, a re-rating of smaller companies is not a certainty. Analysts roll their eyes when it comes to discussing prospects "in general", particularly in smaller companies, the biggest and most diverse sector of all.

Andrew Yeo, at UBS Philips & Drew, is also sceptical of the significance of the wider impacts of the ERM. "The move in the base rates is the significant factor," he says.

A further fall of at least 1 per cent in interest rates will be necessary, many believe, before prospects for the heavily indebted will improve meaningfully.

Nor has the ERM sent punters rushing to smaller company stocks. "When the market is moving as fast as it was last week, the interest in small companies evaporates," says one analyst. "They catch up later."

ERM aside, there is certainly some evidence that interest in smaller companies is on the increase. Angus MacDonald, *founder of Directus, an investment* information service, points to the statistics of directors' shares transactions (see page VI).

Under Stock Exchange rules, directors are obliged to report any dealings in their companies' shares. MacDonald believes that the resulting information is an invaluable clue to company performance. "Nobody knows the trading position of a company better than its directors," he says.

Analysing the purchases and sales made during September by directors of companies with a market capitalisation below £50m, he has found that "buys" represented 84 per cent of all deals. In June, buys and sells were even.

"It would be premature to say that there has been a return of institutional confidence to smaller companies," says one analyst. Most commentators certainly do not expect any rapid turnaround. Yet for some smaller companies at least, the cut in base rates is the most promising news for some time.

Andrew Jack

Hard facts and future fears dampen party spirit

ONLY A week after the surprise news of the UK's entry into the European Exchange Rate Mechanism, and the cut in interest rates, a lot of the initial euphoria has worn off.

A cut in interest rates is what *companies* have been begging for since the first signs appeared of an economic slowdown, and exporters have for years been demanding a more *stable exchange rate*.

But second thoughts on the ERM move proved of less excitement. The exchange rate has been set at a higher level *than many companies* would have wished. The cut in base rates is welcome — but it will not stop a recession in the coming months.

Brokers were soon saying that the move would hold back UK company profits both in the short and medium term. The prop of falling sterling has been *kicked* away. *Around* 45 per cent of UK industrial profits are earned abroad, partly through exports.

The compensation is that the *quality of earnings should rise* and so be worth a higher stock market rating. But by yesterday's close the FT-SE 100 index was hardly up on its pre-ERM level.

Some individual winners and losers have been selected by the market although the distinctions have not been particularly scientific. One of the top *performers* since the news broke has been Tarmac, Britain's biggest housebuilder. Other building-related companies in the FT-SE 100 — such as RMC, Blue Circle Industries and Redland — have risen too.

The cut in interest rates will, the theory runs, breathe new life into the depressed UK *housing market, which* has dented Tarmac's housing profits. Tarmac was also lifted because a relatively high proportion of its profits are made in the UK.

Abbey National, the former building society which has 17 per cent of the UK mortgage market, also rose over the week. *Virtually all its profits* are UK based and its mortgage business should benefit substantially.

A pick-up in the housing market should see more people moving house, meaning more mortgages being arranged. That would also help Abbey National's estate agency business, which has been losing money.

In addition, the fall in interest rates should allow Abbey *National to widen the margin* it makes between its borrowing and lending.

Gains have also been seen in the retail and leisure sectors. *Companies in these sectors* — such as Kingfisher, Marks and Spencer, Ladbroke and Trusthouse Forte — are also largely UK based and the hope is that *lower interest rates will* increase spending by UK consumers. However, this may prove optimistic with recession looming and unemployment likely to rise sharply next year.

One perceived beneficiary of ERM entry is Boots, best known for its chemist chain and pharmaceutical division, but also the owner of Halfords, the chain of car spares and bicycle stores, and of some DIY retailers.

Boots' shares had already risen before the ERM news following a bullish interpretation of an announcement about its pharmaceutical business. Even *so its shares have gained* further on the belief that Boots DIY shops and Halfords will do particularly well from lower interest rates.

Companies which have seen their shares fall are mainly those with a large proportion of overseas profits, and which are due to suffer from the translation effect, or companies which are big exporters and will no longer be able to maintain export margins through a falling *pound*.

Joining the ERM is intended to impose greater discipline on companies so that they take a tougher line on, for example, wage *increases*.

Lucas, the automotive, aerospace and industrial group, had exports of £618m in its last reported financial year, *30 per cent of its total* sales. Further, it has manufacturing operations overseas so will also be hit on profit translation. Its aerospace division, *particularly*, is exposed to the US dollar which has also fallen against the pound.

The fall seems to ignore the work Lucas has done to make *its manufacturing business* more competitive with its foreign rivals. Perhaps another consideration is that after strengthening its balance sheet, Lucas no longer benefits significantly from lower interest rates.

Lucas's plight has been shared by other engineering groups such as GKN, Hawker Siddeley and Rolls Royce.

Another faller has been BTR, the *industrial group*, whose shares had been under pressure even before ERM entry. It suffered a knock when it announced interim profits *below expectations last month* and annual forecasts were cut.

BTR has gained in the past from the falling pound on translating overseas profits. In *its 1989 accounts*, *BTR* revealed that 15 per cent of the increase in its trading profits that year came from currencies.

In future BTR will not be seeing windfall gains to this extent. However, its supporters argue *that its reputation for* tight control of costs and raising productivity will stand it in good stead if UK companies are indeed forced to become more *efficient*.

Maggie Urry

Winners and losers

	Closing price (p) 4 Oct	Closing price (p) 12 Oct	% change	% of business in UK	% Net gearing (last balance sheet)
Abbey National	199.5	229	+14.8	100	n/a
Boots	289	319	+10.4	75	23
BTR	326	324	-0.6	31	70
Lucas	120	116	-3.3	34	9
Tarmac	211	238	+12.8	84	32
FTSE100	2070.4	2100.4	+1.4	n/a	n/a

Family & Finance writers weigh the implications of UK entry to the Exchange Rate Mechanism for investors, savers and home owners

Be serious now the honeymoon is over

Philip Coggan on choices available to the private investor

EVEN Zsa Zsa Gabor cannot have had shorter honeymoons than the UK stock market's brief infatuation with sterling's entry into the Exchange Rate Mechanism. But what action should the private investor consider taking now that the initial excitement has subsided?

In theory, Europe might be expected to be particularly attractive. Joining the ERM has reduced the currency risk of investing overseas, although admittedly sterling has tended to depreciate in the past, thereby increasing the return for UK holders of overseas assets. But the pound is now highly unlikely to go through the top of its ERM band – DM 3.11 – and so the risk of sterling appreciation is quantifiable.

In addition, there is general agreement that sterling has joined the ERM at a high level. Sterling depreciation looks highly likely, especially while UK inflation, at 10.9 per cent in September, remains well above the level of the majority of EC countries.

The risk is that interest rates will need to be kept high to support the pound and that exporters will have to trim margins in order to compete in local currency terms. Both factors will have a negative impact on UK economic growth and on corporate profits.

Although the European economies are expected to experience some slowdown, the general consensus is that they are likely to grow more quickly than the UK over the next few years. Thus European company profit growth will be faster, and European shares may be more attractive.

However, Bill Smith, investment strategist of Barclays de Zoete Wedd, says that investors might consider buying European fixed interest securities. "Some issues are currently offering real yields of 6 per cent," he says. "You have to assume that UK core inflation will fall to 5 per cent before gilts offer the same return."

Smith argues that those interested in European equities should remember that Europe is not one market. "The D-mark bloc (Germany, Austria and the Netherlands) is performing strongly while other economies are weakening," he says.

Nick Train, investment director of GT Unit Managers says that the implications of the high level of the pound's entry into the ERM are highly deflationary for the UK economy. His advice to private investors is that equities should not be a large proportion of their current portfolios.

However, he says that a little money could be invested now, with further sums committed if the market plunges following the start of the Gulf war and then subsequently if there are signs that the crisis is ending.

Train believes that real value is available in the European markets, particularly in Germany where the market is lower than it was before the Berlin Wall came down.

Nils Taube, chairman of J Rothschild Investment Management, agrees with Train that the pound probably entered the ERM at too high a rate and he is accordingly unenthusiastic about UK equities in the short to medium term.

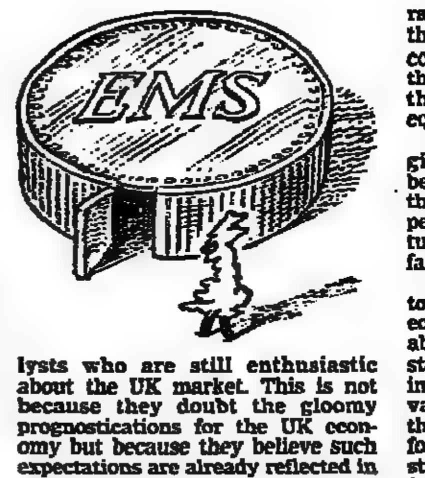
He would advise an investor with a lump sum to keep it on deposit for the time being. "You have to let a bear market work itself out" he says. However, he would invest in Switzerland, Germany and Japan if prices fall significantly from current levels.

Those who do want to invest in Europe have several routes available. The most obvious – and for small investors, probably the most sensible – route is the investment and unit trust markets.

Finstat lists 19 European-oriented investment trusts, including a number of single country funds. Of the five that have track records of seven years, the best performer is Foreign & Colonial's Eurotrust, where £1,000 invested in 1983 would have been worth £3,967 by October 1 this year. However, over the past year, the performance has been poor with £1,000 invested in October 1989 worth only £831 now.

There are, inevitably, even greater numbers of unit trusts available for those interested in Europe. Finstat lists 130, of which 14 have been running for seven years. The average fund would have increased a £1,000 investment to £1,925 over that period, with the best fund, Baring European Growth turning £1,000 into £3,692.

For those willing to take a greater risk, there are any number of single country funds. The idea that overseas markets are the only attractive avenue for investment post-ERM entry is far from a universal feeling among City experts. There are plenty of fund managers and analysts who are still enthusiastic about the UK market. This is not because they doubt the gloomy prognostications for the UK economy but because they believe such expectations are already reflected in share prices.



Simon Walters, investment director of Save & Prosper, argues that UK equities are currently not expensive in terms of dividend or gilt yields. He believes that interest rates will fall to 11 per cent before the next election, that business and consumer confidence will rise and that institutions will move some of their large cash holdings into equities.

Robert Buckland, equity strategist at County NatWest also believes that on a valuation basis, the UK stock market is "very competitive. It is unlikely that the institutions will allow the FT-SE 100 to fall below 2,000 again," he says.

ERM entry will take many years to have its full effect on the UK economy. In the short term, worries about the Gulf crisis are already starting to assume greater priority in traders' minds. But long-term private investors – which means those people who can afford to wait for five years – should watch the stock market carefully for signs of further weakness. The FT All-Share is trading on a 5.5 per cent yield which is 10 per cent above the historical average. If it falls much further it may represent a rare buying opportunity.

Where to lock in and beat inflation

Sara Webb looks at options for savers facing an interest rate fall

IS EVERYBODY happy about the one percentage point cut in base rates?

Savers certainly are none too pleased, especially the non-taxpayers who have enjoyed the benefits of high interest rates for several months. Higher rate taxpayers will be even less happy – with inflation now at 10.9 per cent their *negative* real return may in some cases have reached 3 or 4 per cent.

Banks and building societies are expected to cut savings rates on offer and, as Mike Brook at Greenwell Montagu points out, "the money market is already discounting the next base rate cut."

So the two concerns for savers now are: how can you lock into a high interest rate, one that will you get a real return after tax, given that inflation is now running at 10.9 per cent.

Take a look at ordinary savings accounts. The Halifax, the largest UK building society, has not adjusted its deposit rates yet but probably will quite soon.

For a basic rate taxpayer, the situation is not particularly good on small amounts. For example, with an instant access account such as Halifax Instant Xtra, on up to £499 basic rate taxpayers receive 7 per cent after Composite Rate Tax (CRT), which means they do not get a real return.

Even on amounts above £10,000, basic rate taxpayers only get 10.5 per cent net which is below inflation. With a 90-day account, basic rate taxpayers only start to beat inflation if they have more than £10,000. The net interest rate is 11 per cent on sums of £10,000-£24,999, and 11.5 per cent on sums of £25,000-£49,999.

However, for a 40 per cent taxpayer, the net return with a 90-day account remains well below inflation and only provides a return of 9.88 per cent on sums above £50,000.

So who would find a building society account attractive? Non-taxpayers should look carefully at certain accounts where they can defer the receipt of interest until after April 5 1991.

At present they have CRT deducted from their interest. However, from April 6 1991, CRT will be abolished and non taxpayers will not have to pay income tax on their deposit interest provided it falls within their personal allowance.

National Savings have so far refrained from changing their rates. The most attractive deal is the fifth index-linked issue which guarantees to pay inflation plus interest of 4.5 per cent per annum compound over five years. Investors who put their money into index-linked certificates do not have to pay any income or capital gains tax. However, there is an upper limit of £5,000, (or £10,000 for reinvesting money from mature certificates).

With National Savings Capital Bonds, the interest is equivalent to 13 per cent p.a. compound, guaranteed over five years provided you stick with the bonds. However, these are liable to income tax.

If you want to lock into higher interest rates in the belief that base rates will gradually move down, one way is to buy guaranteed income bonds. These pay interest either yearly, half-yearly, monthly, or at the end of the term.

Since the base rate cut last week, the rates on guaranteed income bonds have fallen, but it is not too late to lock into a high rate now.

Colin Jackson at Baronworth Investment Services tracks the rates on guaranteed income bonds. He says the best rates on one year annual income bonds are, on sums of £50,000 or more, Canada Life at 10.65 per cent; £20,000-£49,999 Acuma, 10.63 per cent; £15,000-£19,999 Regency Life, 10.5 per cent; £5,000-£14,999 CCL Assurance, 10.4 per cent; and £1,000-£4,999 General Portfolio, 10.1 per cent.

These rates are free of tax for basic rate taxpayers, but higher rate taxpayers have to pay 15 per cent in tax.

On three-year guaranteed income bonds, the best rates are 9.6 per cent on sums of £1,000-£24,999 from Regency Life, and 10.5 per cent on sums above £25,000 from National Provident. Over five years, the best rates are 9.5 per cent on sums of £1,000-£1,999 from Premium Life, 10 per cent on sums of £2,000-2,499 from M&G, and 10.3 per cent on sums above £2,500 from National Provident.

Index-linked gilts guarantee a positive real return. Advisers are recommending the 1992 gilts, which offer a real rate of return around 1 per cent for 40 per cent taxpayers. Simon Briscoe of Greenwell recommends a combination of gilts and bonds given in the uncertainties of the Middle East and a likely fall in interest rates.

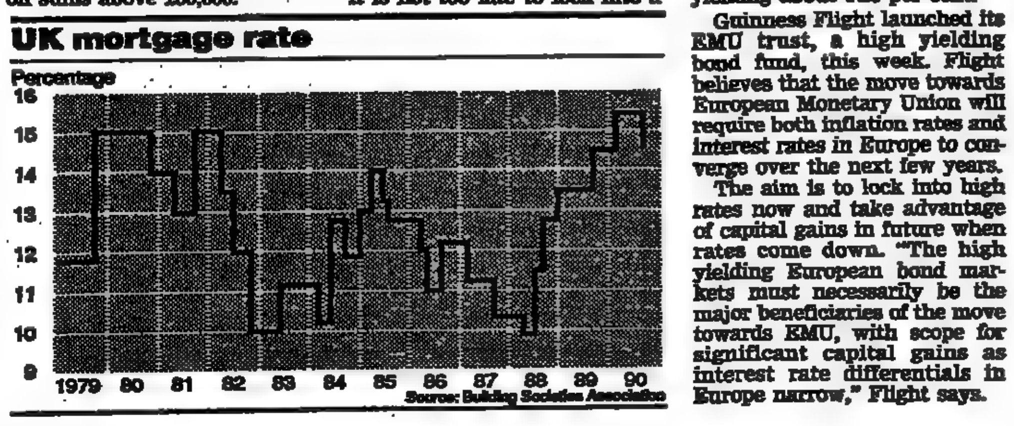
Mike Brook at Greenwell points out that the yield on two-year index-linked gilts is 11.75 per cent while on five-year gilts it is 11.4 per cent. He believes that for investors who are based in the UK it makes more sense to buy high-yielding UK assets.

However, Howard Flight of Guinness Flight believes that this is a good time for UK investors to take advantage of high yields on Italian lira and Spanish peseta bonds, now yielding about 14.5 per cent.

Guinness Flight launched its EMU trust, a high yielding bond fund, this week. Flight believes that the move towards European Monetary Union will require both inflation rates and interest rates in Europe to converge over the next few years.

The aim is to lock into high rates now and take advantage of capital gains in future when rates come down. "The high yielding European bond markets must necessarily be the major beneficiaries of the move towards EMU, with scope for significant capital gains as interest rate differentials in Europe narrow," Flight says.

UK mortgage rate



Dangerous lure of EC mortgages

Foreign currency mortgages are not the bargain they seem, warns Philip Coggan

SIREN voices have this week been promising a brave new world in which UK home owners can borrow more cheaply in other EC currencies without any foreign exchange risk.

The idea is that the home owner should borrow in, say D-marks, to take advantage of the lower interest rate. Because the pound is in the ERM, enthusiasts argue, the risk of the D-mark rising, and increasing the size of the loan, is limited.

But such an argument is dangerously misleading. To the extent that home owners do save on interest in the short term, the size of their loan is almost certain to increase in proportion. The risk is that the home owner could find it impossible to repay the capital. And if the size of the loan does not increase by very much, that will only be because UK and German interest rates have moved to the same level.

The reason is simple. Joining the ERM does not remove currency risk altogether. The pound can fluctuate 6 per cent either side of its central rate and on top of that, there is a always the possibility that sterling could be devalued. And indeed the main reason *why* UK interest rates are higher than those in Germany is that financial markets expect the pound to fall.

Traders suspect that UK inflation will continue to be higher than that of Germany and so the real value of investments in the UK will be quickly eroded. They also suspect that the pound will depreciate against the D-mark. For both reasons, they demand a higher UK interest rate to compensate for the greater risks in investing in sterling.

Now the markets could be wrong to be suspect this but assume, for a moment, that they are right. UK inflation will remain high and the pound will depreciate. The home owner's foreign currency loan will therefore increase in size as the pound falls.

On the other hand, suppose their suspicions prove ill-founded. UK inflation falls to German levels and the pound does not depreciate against the DM. But in that case *UK interest rates will fall to German levels*. The point of taking out a foreign currency mortgage will be lost.

Imagine that the sterling/DM exchange rate is fixed forever at current levels. At the current interest rate differential, there will be massive demand for DM loans. If demand goes up and supply stays the same, then only one thing can happen – the price will go up. In this case, the price of DM loans – German interest rates – will rise.

At the same time, there will be a huge increase in the supply of people wanting to lend money in sterling. An increase in supply while demand remains the same results in a price fall – sterling interest rates will fall. The process will continue until UK and German rates are the same.

If exchange rates are fixed between two countries, interest rates in the two states cannot be set at different levels, without massive credit and foreign exchange controls. The latter do not exist today. The corollary is that, if interest rates do vary between states, exchange rates will fluctuate.

Consider the position of France and Germany in 1979 when both countries joined the ERM. France in those days was a high inflation, high interest rate country as Britain is today. French financial companies might well have marketed cheap D-mark mortgages.

Let us imagine that a Frenchman, convinced by the same arguments, had taken out a D-mark mortgage in 1979. The interest rate differential certainly looked attractive at the time – three month rates averaged 11.01 per cent in France in 1979 but only 6.32 per cent in Germany.

French interest rates have been higher than German rates ever since, so that must mean the French home owner is by now much better off. Wrong. Assume that the Frenchman had bought a house for Ffr500,000 (around £50,000) in 1979 and funded it with a D-mark loan; at the prevailing exchange rate of Ffr2.32/DM, the loan would have been DM215,517.

The French franc has been devalued several times since 1979. This year, the average rate has been Ffr3.369/DM. The French home owner's debt would now have risen, in local currency terms, to Ffr726,000 or 45 per cent.

But what about all the interest savings? The cumulative gain on interest would have been about Ffr203,000, less than the extra capital the home owner will have to repay. All the exchange rate moves have meant that in 1989 and 1990, the French home owner would actually have been paying more in cash terms.

So for the French home owner, a D-mark mortgage would have effectively been a roll-up loan, in which interest was saved during the early years at the expense of increasing the size of the debt.

Some people may find an interest rate saving in the short term attractive – but they need to be very sure that they can eventually afford to repay a much larger sum. Many people would have no means of doing so. Over 25 years, the amount involved could easily double.

Now it is true that the above arguments applied to foreign currency mortgages before the UK joined the ERM. But there was always a chance, under a floating rate system, that both interest rates and exchange rates could move in the home owners' favour, at least temporarily. The risk was that both factors could move against the home owner as well.

The nature of the ERM is that any interest rate gains for the home owner will automatically be cancelled out by a capital loss. Ian Darby of John Charcol, the mortgage broker, says that there has been a "massive over-reaction" in the media about the prospect of cheap foreign mortgages following ERM entry. The risks are not understood properly, he believes.

John Charcol offers a managed mortgage which switches the loan from one currency to another depending on the broker's expectation of exchange rate movements. Such loans have done well for borrowers so far, but they do depend on John Charcol successfully predicting the foreign exchange markets, which few have ever been able to do for long.

But even a managed currency mortgage, Darby says, is only appropriate for a sophisticated borrower. And that means high net worth individuals who are borrowing only a small proportion of the value of their houses.

A hint of hope for the housing market

John Brennan assesses the effects of the interest-rate cut on property prices

CHAMPAGNE Friday brought smiles back to those involved with the housing market for the first time in 18 months. The day Chancellor John Major announced sterling was to enter the European Exchange Rate Mechanism – and the day he cut a point from interest rates – saw residential agencies, lenders and housebuilders celebrating the long-awaited turn in the market.

It did not take long for the hangover to begin. A weekend full of reflective comment on the stubborn trade deficit and double-digit inflation provided a darker backdrop to exuberant "housing boom" headlines drawn from first reactions. Initial enthusiasm has given way to caution. It is still good news, but do not waste your time looking for estate agencies besieged by house hunters.

Trevor Sawyer, of south of England housebuilder Charles Church, sums up the developers' reaction. He accepts that the mortgage rate reductions are hardly likely to stampede buyers. Nevertheless, it was a busy weekend for the show house guides and Sawyer regards the cuts as "a vital psychological boost" for the market.

Wimpey Homes' joint managing director Cliff Gill made it clear just how vital that boost is for the builders, having characterised 1990 as "the toughest market conditions since the war." Yet even ahead of the news Wimpey sales figures were beginning to record what is now a broadly established pattern of renewed – albeit highly price-sensitive – buying by first timers.

Pushing bank interest rates off their 15 per cent plateau a year to the day after they settled there, and enabling the mortgage finance houses to step back from the record home loan rates imposed this spring, has a direct impact on prospective buyers' ability to afford a home.

While the rented sector remains relatively undeveloped, the "affordability equation" determines the height of the lowest rung on the "housing ladder". Combine the rate cuts with the past year's price reductions, stir in wage inflation, and the mix since last Friday brings that lowest rung a fraction closer to more would-be home-owners.

A solitary rate cut from a record "high" doesn't make home loans a bargain, and any upward twist in prices could lift that rung out of reach again. So it is only the reckless and the desperate who have celebrated Chancellor Major's move as trigger for a fresh round of house price inflation.

The reckless can be excused on grounds of, well, recklessness. But after such a long run of property price-cutting and the exit from the market of all but bargain-hunting discretionary buyers, the ranks of the desperate have been swollen by developers with unsold properties and individual owners who need to sell but who cannot afford to make a sufficiently deep price cut to win a buyer. The prime comfort for these distressed sellers is that the base rate cut may be the start of a trend.

One practical aspect of that view is that it gives loan committees in banks and building societies the first good news in a long time. Lenders are just as reluctant as borrowers to enforce sales in a poor market and realise paper losses. Both prefer to interpret the rate cut as the beginning of the end of the price slide.

That brings the trusty old intangible "market confidence" out into the open. And if there is one common reaction to last week's news it is in the way in which "market confidence" has been dusted off and commented on by just about everyone with an interest in property.

Humberts help paraphrase the chorus from the sales agents with the view that the reduction in interest rates is "hardly earth shattering" but that it is "likely to signal the end of one of the longest bear markets for house sales and will therefore breed greater confidence in purchasers and vendors alike."

For those higher up the price rungs of the housing market, who are normally not too concerned about mortgage financing costs, John Inge, of Knight Frank & Rutley, says: "What goes on down below does have a real effect on confidence." Although he sees no prospect of firmer prices, he does think that prospective buyers who have been hovering will start to make a move. "I think," he says, "that in time last Friday will come to be seen as a turning point for the market."

■ UK house prices rose for the first time in three months during September, and could start to show a healthy increase by the end of 1991 if interest rates come down by a further couple of percentage points, according to the Halifax Building Society.

The UK's largest building society thinks that the property market has "bottomed out" in the south of the country, where house prices are between 7-12 per cent lower than they were a year ago.

In the Midlands and Wales, house prices have fallen by about 5 per cent in the last year. In the north of England and Scotland prices are still rising slowly and the Halifax predicts that this part of the country could well escape the significant price falls seen in the south.

Prices paid by first-time buyers have fallen by 3.5 per cent in the last year and the average price currently paid for a home by this section of the population is £47,000.

The Halifax warns that the recovery of the property market depends on the outlook for interest rates. "If interest rates do fall slightly this year and by a further two or three points during 1991, then house prices nationally should end this year falling only very slightly and could well be rising by over five per cent by the end of 1991," says the Halifax in its report.

FINANCE & THE FAMILY

Options on Polly Peck

NO-ONE IS happy when dealings are suspended in stock market shares. But the position can be particularly difficult for those who have dealt in the securities of the company concerned via the options and other derivatives markets.

The problem has only arisen in a significant fashion twice since the derivatives markets were established a decade ago (the London Traded Options Market was set up in 1978 and the London International Financial Futures Exchange in 1982). It happened first with the suspension of trading in British & Commonwealth in April and again with Polly Peck a month ago.

When B&C was suspended it was brought back on to the London Traded Options Market a week afterwards for a short period to allow holders of options to settle their deals.

Polly Peck, however, has already been off the market for three weeks. Shares in the company may — as the pet shop assistant in the Monty Python sketch claimed — be not dead, only stunned. But there is now growing concern about erosion of time value — one of two factors that determine the price of an option — and growing pressure to bring the shares back before the end of November — the first deadline for investors to decide whether to exercise their options to buy or sell shares.

It is "very possible" that options are still being traded on the grey market by traders who are not members of the ISE and not bound by its rules. But while traders cannot buy or sell new options in Polly Peck through official channels, they can attempt to settle existing deals.

The last available figures show that there are 4,700 calls (options to buy shares) and 1,200 puts (options to sell) outstanding and these may be dealt with in several ways. Investors who have bought calls will have paid a premium for the right — but not the obligation — to buy shares for a pre-set price at a fixed time.

In the case of Polly Peck an investor could have bought calls in the November 240 series paying the equivalent of about 30p per share — £300 per contract — shortly before suspension. This would give the investor the right to buy 1,000 shares for 240p a share, whatever the actual share price at the end of November. The investor would have to pay £2,400 for the shares but this would be profitable if the share price was above 270p and covered the premium.

Assuming the share eventually returns to the exchange at a far lower price, buyers of calls would be unlikely to exercise their option. If the shares remain suspended, however, investors could exercise their option in the hope that the shares would reappear, to rise again. In that case, the seller of the option would give them a share certificate.

Large institutions use the options market to earn extra premium income by writing options to sell shares they hold in their portfolios. The chances are that if Polly Peck's shares fail to return from suspension, sellers of call options will simply keep the premium income.

However, some traders may have written call options on Polly Peck without actually owning the shares. If the buyer now wanted to exercise the option and buy the shares, such traders would have to come to a private arrangement, either by paying money in lieu of shares or by paying interest until the shares resumed trading in the market.

The position looks much better for those who bought Polly Peck put options — the right to sell shares at a fixed price and at a set time. Two days before Polly Peck's suspension it was possible to buy November 240p puts for around 16 to 17p. The next day, as the option price increased in inverse relationship to the underlying share price, it was possible to sell the put options at 120p to make a profit of 104p per share. Investors thus had the chance of making £1,200 for an investment of around £160.

Those who have not yet exercised their Polly Peck put options are still able to do so. They can thus sell their shares at the option price. This places them in a much stronger position than normal investors who may yet find their shares worth nothing. Those who sold the option and collected their premiums, however, will be forced to buy Polly Peck shares at what may be an unrealistic price.

Adam Tyrrell, of securities house James Capel, said: "People who are long on puts are laughing, but if you were short (ie if you have sold a put option to someone else) there is a lot of risk and you would be a bit worried."

Polly Peck and B&C were also significant elements in the basket of 100 stocks represented in the FT-SE future and options indexes. In the unusual event that an FT-SE 100 stock is suspended the index is automatically reweighted on a basket of the remaining 99 companies until the stock is replaced or re-established.

One final element is the position of shares bought on account. Suspension only relates to subsequent dealings. Shares dealt beforemust be paid for and received on the account date — whatever their value or situation.

Peter John

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	4.00	4.10	3.30	monthly	1	under 5,000	0-7
High interest cheque	8.10	8.40	6.70	monthly	1	5,000-9,999	0
High interest cheque	8.60	8.60	6.90	monthly	1	10,000-24,999	0
High interest cheque	8.80	8.60	7.00	monthly	1	25,000-49,999	0
High interest cheque	9.10	9.50	7.60	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	7.00	7.12	5.70	half-yearly	1	1-250,000	0
High interest access	9.00	9.00	7.20	yearly	1	500	0
High interest access	9.75	9.75	7.80	yearly	1	2,000	0
High interest access	10.25	10.25	8.20	yearly	1	5,000	0
High interest access	10.50	10.50	8.40	yearly	1	10,000	0
90-day	10.25	10.51	8.41	half yearly	1	500-9,999	90
90-day	11.00	11.30	9.05	half yearly	1	10,000-24,999	90
90-day	11.50	11.83	9.46	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	12.75	9.56	7.65	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 min.	3 mths
35th Issue‡	9.50	9.50	9.50	not applica	3	25-1,000	8
Yearly plan	9.50	9.50	9.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applica	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	9.75	10.19	8.15	monthly	1	2,500	0
Provincial Bank	10.24	10.73	8.59	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	11.90	9.84	8.60	half yearly	4	-	0
8pc Treasury 1992	11.76	9.68	8.44	half yearly	4	-	0
10.25pc Exchequer 1995	11.40	8.77	7.20	half yearly	4	-	0
8.5pc Treasury 1994	11.58	9.32	7.98	half yearly	4	-	0
3pc Treasury 1992	9.76	8.86	8.47	half yearly	4	-	0
Index-linked 2pc1992§§	12.71	9.63	9.33	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; Immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 6.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Trusts under Management				
Fund	Size (£m)	Launch date	Performance 3 years	Sector
British Growth	1.3	1986	-31.1	-35.3
European Growth	21.9	1986	-16.9	-8.5
Income	2.1	1986	-9.4	-20.1
Japan Growth	4.2	1990	n/a	n/a
Japan Small Cos	22.8	1985	+36.1	-18.8
New Asia	10.1	1990	n/a	n/a
North American	3.6	1985	-28.3	-25.1
Investment Trusts				
Dundee and London	38.5	1927	-34.7	-33
Edinburgh	527.4	1889	-5.5	-9.7
Income Growth	128.3	1873	-10.6	-9.6
Melville Street	20.4	1973	-24.5	-19.4
Worldwide	129.8	1896	-16	-17.5

Performance figures from Finstat are for three years to October 1.

New name, old roots

DUNEDIN MAY be one of the newer names in the fund management world but in fact the group has a long pedigree. It was formed in 1985 through the merger of two groups of investment trusts from Dundee and Edinburgh which have roots in the 19th century.

Initially established as a independent fund management "boutique", the company is now 50.5 per cent owned by the British Linen Bank, the merchant banking arm of the Bank of Scotland.

The investment trusts are still by far the largest single part of the group, as can be seen from the table. Edinburgh Investment Trust is now, after the demise of Globe earlier this year, the second largest trust in the UK. It has a market value eight times the size of all Dunedin's unit trusts together.

As with other fund managers we have profiled, the three-year figures are none too flattering because the starting date for comparison came just before the stock market crash. Three of the five unit trusts with three-year records and two of the five investment trusts have performed better than the sectoral average.

The Japanese smaller companies unit trust is obviously the star performer, and it is third in its sector over one, two, three and five years. However, it should be pointed out that the majority of trusts in this sector are general funds and have inevitably been left behind because of the jump in Japanese small company share prices over the last few years.

Two of the investment trusts have been renamed recently. The old First Scottish American Trust was renamed as the Income Growth Investment Trust because its portfolio is largely invested in the UK. Similarly the Worldwide Investment Trust was considered to be a more appropriate name for an international fund than the old name of the Northern American Trust.

Of the other investment trusts, Edinburgh is an international general fund, Dundee and London invests mainly in smaller companies, and Melville Street Investments is a development capital and management buy-out fund.

Edinburgh's record stands out reasonably well for such a big trust having outperformed the international (general) sector over three years. However, over seven years, it is ranked 18th out of 21, having risen 39 per cent against an 89 per cent average rise.

In spite of the fact that most of the investment trusts have fairly general portfolios, all except Melville are trading on relatively narrow discounts to their net asset values. That makes it unlikely in the short term that any of the trusts will be taken over or restructured (it would be difficult to take over Melville because of its large proportion of unquoted investments).

Dunedin is a so-called "value" investor which means it looks for shares that appear cheap compared with a company's profits and assets. In the trade jargon, this means it tries to buy stocks trading on a low price/earnings ratio and on a low price to book value. Academic evidence has shown that such a strategy works in the long run.

A further screening process is applied by using charts — Dunedin tracks price movements to see which shares have the *momentum* to keep moving higher. This process — under the proprietary name Diadem — is applied to a list of 2,000 shares worldwide which Dunedin considers potentially suitable for investment.

The danger of advertising a group's reliance on a "black box" system such as Diadem is that it induces a certain cynicism in observers if results do not match up to expectations. According to one analyst, Dunedin "makes great play of its stock selection system but it has yet to show up in asset performance."

Another analyst, however, points out that "Diadem is a tool, rather than a master" of the group's investment policies. Although the group's performance in recent years can only be described as average, it has established itself as a significant long player in the fund management market. A leading analyst's verdict was that "Dunedin is a sound, disciplined and reasonably innovative group."

Philip Coggan

New mortgage rates

TO HELP readers keep up to date with developments in the housing market, here is a list of announcements of the latest changes in mortgage rates.

Barclays Bank has reduced its mortgage rate to 14.75 per cent from 15.7 per cent. **Bear Stearns** has lowered its rate to 14.5 per cent from 15.4 per cent. **BNP** has cut the rate by 1.1 per cent to 14.85 per cent. **Bradford & Bingley Building Society** is cutting the rate from 15.4 per cent to 14.5 per cent.

CIBC has lowered the rate for new borrowers to 13.45 per cent.

Citibank has reduced the rate on high equity products to 14.65 per cent; the rate on premium products has fallen to 14.15 per cent, and on all new mortgages the rate is now 13.9 per cent. These rates are capped until July next year, although they can be reduced.

Confederation Bank has reduced its mortgage rate to 14.5 per cent. **Crown Financial Management** is reducing the rate on its fixed and capped rate mortgages from October 15. The rate is now fixed at 12.75 per cent until October 1 1991, reduced from 13.45 per cent.

Between October 1991 and October 1992 there will be a 12.75 per cent cap on the mortgage so that the rate can fall below that level but cannot rise above it.

Equity & Law will cut mortgage rates by 1 percentage point from November 1 so its standard variable rate scheme will fall to 14.85 per cent. The rate on its stabilised payment scheme will be 14.35 per cent in the first year for new borrowers.

Lambeth Building Society is offering a discount mortgage rate of 12.75 per cent, with a guarantee that the rate will stay below 1.75 per cent below its normal mortgage rate for the first year.

Leamington Spa Building Society is cutting its rate from 16.35 per cent to 15.45 per cent.

Leeds Permanent Building Society cut its mortgage rate from 15.4 per cent to 14.5 per cent for new mortgages this week.

Many of its existing borrowers are still paying 13.45 per cent as they have their payments adjusted annually: Leeds Permanent said it would not increase their payments as it believes that interest rates will continue to come down in the near future.

Lloyds Bank has cut its mortgage rate from 15.7 per cent to 14.8 per cent. **Midland Bank** lowered its mortgage rate to 14.7 per cent (from 15.4 per cent) yesterday for new borrowers.

Existing borrowers will have their rates cut to the same level on November 12. Midland is now offering new endowment and pension mortgages at a lower rate of 14.25 per cent.

Nottingham Building Society and **Portman Building Society** are each reducing their rates to 14.5 per cent from 15.4 per cent.

Scarborough Building Society is offering a discount rate to new borrowers — a maximum of 13.5 per cent for loans over £30,000, and 13.75 per cent for loans below that figure. The offer is subject to an arrangement fee of £100.

Southdown Building Society is offering mortgages of 13 per cent to first-time buyers (the rate reverts to the society's standard rate after one year) and of 14.5 per cent to other new borrowers. Existing customers will have their mortgage rates reduced to 14.5 per cent on November 1.

Town & County Building Society is reducing its rate from 15.4 per cent to 14.5 per cent. **TSB** has cut its rate from 15.6 per cent to 14.75 per cent.

Woolwich Building Society has cut the rate on most loans to 14.5 per cent, although those with endowment and pension mortgages of more than £60,000 will pay 13.75 per cent.

Yorkshire Building Society launched its "Superstart" mortgage for first-time buyers this week.

The rate will be capped at 11.95 per cent for the first six months, and thereafter the loan will convert to the variable base rate.

Philip Coggan

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated					
AMS Inds.	29*	27	20	8.85	Siemens Austria
Blackwood Hodge	32	31	21†	52.65	BM Group
Caird Grp.	100*§	91½	75	56.45	Severn Trent
Caird Cv.Pf.2009	60.3*§	61	59	21.44	Severn Trent
Carroll (P.J.)	Ir160*§	Ir156	Ir125	Ir72.84♠	Rothmans Intl.
Chestergate‡	8½*	7	7	1.07	Farr
Connell	194*	193	135	48.3	Scottish Widows
Dukeminster	75*	72	62	65.66	Asselpark
Hughes (H.T.)	128§	126	81	31.98	Leigh Interests
Lowe Grp.	427	419	265	110.75	Interpublic
Mount Charlotte	73*§	69	59½	392.68‡	Brierley Invs.
VPI Group	16☆	7½	13½	7.12	Transw'd Consortm
Yorkshire Radio‡	170††	168	131	16.05	Metro Radio

*All cash offer.††Cash alternative. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 12/10/90. †At suspension. §§Shares and Cash. ☆Estimated figure, comprising 8p cash, a loan note, and a 'litigation unit'. ‡ Value of 61.1% not already owned. ♠ Value of 61.3% not already owned

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Amstrad	June	43,700	(76,600)	6.1	(9.0)	1.4	(1.4)
Cramphorn	July	1,340	(1,000)	7.71	(5.53)	1.92	(1.56)
Ewart	Apr	1,230	(1,300)	6.82	(4.9)	-	(2.25)
Intereurope Tech	June	1,440	(1,370)	17.2	(16.2)	7.4	(7.0)
Kelt Energy	Mar	5,410 L	(1,150 L)	-	(-)	-	(-)
Lawtex	June	375 L	(439)	-	(10.2)	0.5	(2.0)
Lyles G	June	802	(1,040)	7.15	(9.45)	4.05	(3.75)
Pochin's	May	2,950	(3,120)	199	(217)	24.0	(29.0)
Property Trust	Mar	16	(342)	-	(0.04)	-	(-)
Savage Group	June	51	(7,290)	-	(9.1)	2.0	(3.5)
Sinclair William	June	3,980	(3,300)	17.1	(13.9)	6.3	(5.25)
TR Far East Inc.	Aug.#	2,940	(1,920)	3.71	(1.47)	1.0	(0.8)
Town Centre	June	5,650	(5,020)	4.07	(3.65)	1.5	(1.2)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Ashley (Laura)	July	317	(6,530)	-	(0.85)
Alexandra Workwear	Aug	4,100	(3,700)	1.8	(1.6)
Austin Reed	Aug	905	(2,050)	3.0	(3.0)
Aviva Petroleum	June#	828 L	(297)	-	(-)
Baillie Gifford Tech	Aug	215#	(37# L)	-	(-)
Barlows	June	192	(89)	0.82	(0.82)
BLP Group	June	468	(1,700)	0.25	(1.5)
BNB Resources	June	2,520	(2,065)	1.5	(1.3)
British Dredging	June	1,690	(1,920)	2.6	(2.6)
Brompton Holdings	June	689	(606)	1.0	(-)
Central & Sheerwood	June	1,350	(1,200)	0.1	(-)
Chepstow Racecourse	June	11	(23)	-	(-)
Clinton Cards	July	173 L	(182)	-	(-)
Cohen A	June	1,290	(2,190)	6.6	(6.6)
Copymore	June	518	(346 L)	0.8	(0.8)
Dauphin	June	2,270	(1,830)	1.7	(1.5)
Expedier	June	584	(350)	0.5	(-)
Fast Forward Inns	June	96 L	(121 L)	-	(-)
Filofax	June	2,070 L	(554 L)	-	(0.75)
Fitzwilton	June‡	4,800	(3,380)	1.5	(1.5)
Grampian Holdings	June	3,820	(3,720)	1.5	(1.3)
Havelock Europa	July†	815	(312)	1.5	(-)
Helical Bar	July	1,600	(10,000)	2.4	(2.4)
Hi-Tec Sports	June	3,410	(3,120)	1.5	(1.5)
HTV Group	June	4,200	(4,900)	1.5	(1.5)
Hunting	June	19,880	(17,800)	4.0	(3.5)
Ingham George	June	2 L	(95 L)	1.0	(1.0)
ISA International	June	1,750	(1,450)	0.41	(0.36)
Jermyn Investment Co	June	155	(1,720)	-	(-)
Jerome (S)	June	604	(857)	2.8	(2.8)
Jones Group‡	June	2,180	(2,260)	3.0	(3.0)
Lawrence (Walter)	June	3,540	(5,120)	2.0	(2.0)
London & Manchester	June	-	(-)	4.16	(3.79)
Marylebone Estates	June	1,070	(2,010)	-	(1.5)
NMW Computers	June	210	(48)	-	(-)
North Brit. Canadian	Aug	419#	(369#)	3.5	(3.0)
Polymark Int'l.	June	931	(1,107)	-	(-)
Porth Group	June	1,620 L	(1,360 L)	0.5	(1.3)
QS Holdings	July	3,610	(2,960)	1.81	(1.81)
Quarto	June	1,270	(1,121)	1.5	(1.3)
RKF Group	June	4,140 L	(2,490)	-	(1.5)
Scottish Television	June	3,440	(3,040)	5.75	(5.0)
Seafield	June	8,180	(403)	-	(0.4)
S&U Stores	July	1,680	(1,070)	2.0	(1.5)
Silverminess‡	June	2,050	(4,140)	1.5	(1.5)
Touchstone Group	June	66 L	(7,000 L)	-	(-)
Trans World Comms.	June	1,170 L	(1,570)	-	(4.0)
United Uniform Serv.	June	421	(236 L)	-	(-)
Walker Greenbank	June	4,060	(3,270)	1.2	(1.0)
Wensum Co.	July	369	(327)	1.15	(-)
Wills Group	June	56	(238)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.† Last years profit figure for 8 months.‡ Net loss/income quoted in US dollars.# Net revenue/loss.‡ Figures quoted in Irish punts & pence.

RIGHTS ISSUES

Propeller is to raise £2.25m via a 3-for-2 rights issue at 10p.
Property Trust is to raise £5.5m via a 2-for-1 rights issue at 1p.
Sinclair (William) is to raise £5.6m via a one-for-five rights issue at 180p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Brabant Resources is to join the USM via a £19m offer for subscription.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Air London International	Wednesday	-	-	-
Attwoods	Tuesday	2.6	5.5	3.25
Cooper (Frederick)	Wednesday	1.35	2.5	1.5
Cradley Group Holdings	Thursday	-	1.0	-
Castle Communications	Monday	3.0	5.0	3.5
Exmoor Dual Investment Trust	Wednesday	1.75	2.35	2.25
Fisher (Albert) Group	Thursday	1.25	1.5	1.5
Highland Distilleries Co.	Monday	0.95	2.9	1.2
Mowat Group	Wednesday	0.5	1.0	0.5
Norex	Wednesday	-	-	-
Paterson Zochonis	Friday	1.95	-	2.05
Pict Petroleum	Wednesday	-	-	-
River & Merc. Extra Inc. Tst.	Tuesday	-	1.675#	1.875
St Ives	Tuesday	1.25	3.0	1.5
Sanderson Murray & Elder	Monday	-	5.5	-
Synapse Computer Services	Monday	-	3.7	-
Tay Homes	Monday	1.0	3.0	1.2
Thorntons	Tuesday	0.82	1.88	1.10
TIP Europe	Wednesday	1.6	3.4	1.7
Whinney Mackay-Lewis	Friday	1.8	3.0	1.8
INTERIM DIVIDENDS				
Acorn Computer Group	Thursday	-	-	-
Amer Group	Thursday§	4.0	3.0	-
Anglo Pacific Resources	Tuesday	-	-	-
Atlas Converting Equipment	Tuesday	5.0	10.0	-
Baris Holdings	Tuesday	-	-	-
Boot Henry & Son	Wednesday	6.0	15.0	-
Bourne End Properties	Wednesday	1.0	2.0	-
Chesterfield Properties	Thursday	6.5	11.1	-
City of Oxford Inv Trust#	Wednesday	0.9375	0.9375	-
Edinburgh Investment Trust	Monday	2.5	4.5	-
Elswick	Tuesday	0.2	0.4	-
English National Invest. Co.	Wednesday	4.75	11.05	-
Era Group	Wednesday	1.0	-	-
Farnell Electronics	Tuesday	2.1	2.7	-
Forward Technology Industries	Thursday	0.6	1.2	-
Free State Consolidated Gold	Thursday†	150.0	145.0	-
French Connection Group	Thursday	0.9	1.8	-
Gerrard & National Holdings	Thursday	3.0	16.0	-
Govett Oriental Invest. Tst.	Thursday	0.6	1.0	-
House of Lerose	Wednesday	3.0	7.3	-
Lilley	Tuesday	1.0	1.5	-
Linton Park	Thursday	2.5	9.5	-
Midland & Scottish Resources	Tuesday	-	-	-
Next	Tuesday	2.7	2.0	-
Ocean Wilsons (Holdings)	Wednesday	0.5	2.25	-
Orange Free State Investments	Thursday†	390.0	378.0	-
Quadrant Group	Monday	1.5	2.35	-
Roskel	Monday	1.3	3.0	-
Tudor	Tuesday	1.0	1.7	-
Turriff Corporation	Wednesday	4.25	10.75	-
Walker JO & Co.	Friday	2.0	2.0	-
Warnford Investments	Monday	2.5	4.0	-
Wartsila (OY)	Thursday§	-	7.8	-
Waterford Wedgwood	Wednesday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.§ Dividend quoted Finnish markka per share gross.† Dividends quoted in South African cents per share.# 2nd interim dividend.

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ADVERTISEMENT

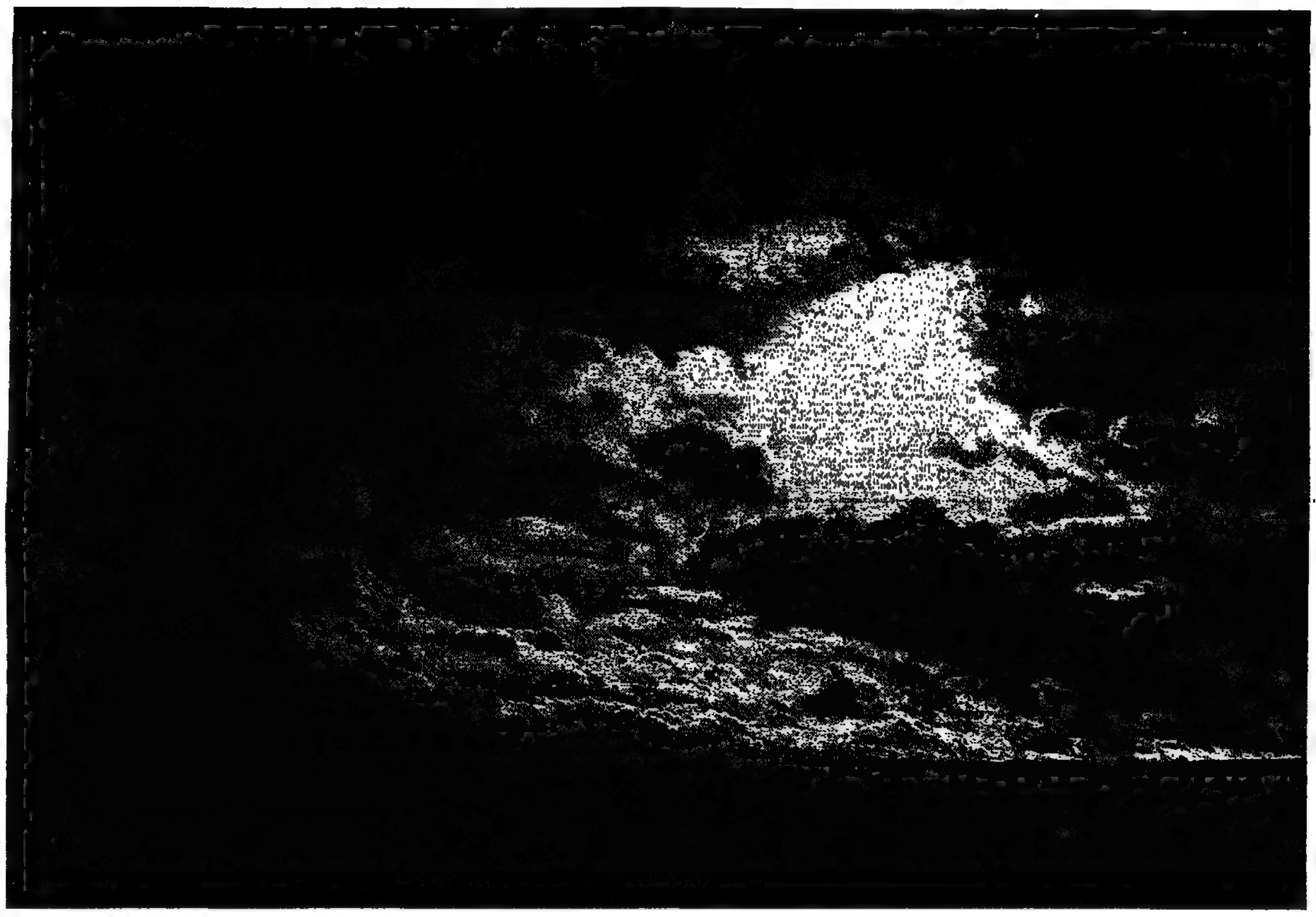
Key Environmental Issues: No 13

EVEN THE LITTLE THAT IS KNOWN ABOUT GLOBAL WARMING WILL MAKE YOU SHIVER.

Martin Parry is the author of three books and many articles on the potential effects of climatic changes. His work as Professor of Environmental Management at the University of Birmingham, and as a member of the Scientific Advisory Committee to the World Climate Impact Studies Programme, makes him one of the most authorative voices on the subject of global climate.

His views are his own and not necessarily those of British Gas.

Photography by John Swannell.



Global climate change presents us with a series of different problems. It is global in scale. The causes of climate change are rooted in very many human activities, including agriculture, industry, transport. There are nasty time lags in the system, due largely to the slow warming of the oceans, which means that a warming 'commitment' exists that has not yet been realised.

Thus, even if Greenhouse Gas (GHG) emissions were to be curtailed effectively and immediately, the atmosphere could continue to warm, on average, by perhaps 1°C over the next 50 years.

Finally, there is uncertainty over whether global warming will be beneficial or adverse, and whether it might lead some countries to believe that they have little to lose by it. But some important things are known:

THE GREENHOUSE EFFECT IS REAL

If there were no greenhouse effect our planet's temperature would be probably about 18°C (similar to that of a freezer chest). We know from ice cores that when greenhouse gases have been high in concentration during the Earth's past, global temperatures have been high too (and vice versa).

Greenhouse gases are increasing. Carbon dioxide has increased by about a quarter over the past 200 years, largely by the burning of fossil fuels but also due to the clearance of forests, to account for 57% of the greenhouse effect termed "radioactive forcing."

About 14% of radioactive forcing is due to methane, concentrations of which have doubled since the pre-industrial period. Nitrous oxide (5% of radioactive forcing) is increasing annually by 0.3%; and until agreement on CFC use was achieved through the Montreal Protocol, atmospheric concentrations of the more important CFCs were growing 4% annually.

How increasing GHGs will affect global climate is not clear. A best estimate (arrived at by the Intergovernmental Panel on Climate Change – IPCC) is that, if present trends of emissions continue, global mean temperatures will rise about 1.1°C above the present-day average by the year 2030, and 3.3°C by 2090.

Little is known about possible changes in climate at the regional and seasonal levels (levels which affect actual patterns of agriculture and water supply). Overall, there might be more rainfall, but this does not necessarily imply more available water because rates of evaporation will increase with higher temperature.

In some parts of the world increases in evaporation will be greater than increases in rainfall, and the amount of available water will decrease. But elsewhere the reverse will be the case. The problem is that we do not know, in sufficient degree of detail, what will happen where.

THE MOST LIKELY EFFECTS OF GLOBAL WARMING

There could be severe reductions in food production potential, not necessarily globally, but in some major regions of the world. Soil moisture reductions in current 'breadbasket' regions such as the U.S. Great Plains are possible. If that were the case, then food supply could be affected at the global level.

Climatic zones could shift about 100km per decade over the next 50 years. Most flora and fauna would lag behind these. Some species could be lost.

Water availability will decrease in some areas, which could be critical for water supply in already marginal regions such as the African Sahel.

The people most vulnerable are likely to be in developing countries, in the lower income groups, residents of coastal lowlands or islands, or semi-arid areas already vulnerable to short-term variations of climate. They are likely to include both the rural poor and the urban poor.

It will probably take decades of research to enable forecasts to be made of likely changes in regional and seasonal patterns of climate change. By that time, levels of GHG concentration will have increased, the 'commitment' to climate change will be greater, and the problem less tractable. It is therefore extremely important that we distinguish between changes of climate to which we can adapt at little cost, and those which threaten our future. This can help us identify target rates of climate change that can be tolerated, and thus target rates of change of GHG concentration, and the equivalent target rates of GHG emissions.

A WORLDWIDE PROBLEM THAT NEEDS UNIVERSAL ACTION

An assessment of the current state of knowledge, upon which this article is based, has recently been completed by the IPCC three Working Groups; on the Scientific Assessment of Climate Change (chaired by the UK); on the Potential Impacts of Climate Change (chaired by the USSR); and on Policy Responses to Climate Change (chaired by the USA).

The challenge of global climate change will next be posed, first before scientists and then before ministers, at the Second World Climate Conference, a two-part meeting in Geneva at the end of October.

This meeting will probably set up a working group charged with the task, over the next two years, of designing a framework convention on global climate, that governments will be prepared to put their signatures to – perhaps by the time of the Environmental Ministers' Conference in Brazil in 1992.

Most difficult to achieve will be a consensus on the reduction of GHG emission by reducing the burning of fossil fuels.

More readily achievable is likely to be agreement on a package of sound husbandry that would meet a number of environmental goals including that of a stable global climate: reducing rates of tropical deforestation, and encouraging afforestation elsewhere, combating desertification and slowing the extension of new farmland.

Facing up to a worldwide problem will require universal action. Individual countries can encourage others by taking a lead, but a solution requires concerted global effort. Although this will be extraordinarily difficult to achieve, it is imperative we succeed.

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FT/13

British Gas

Novel way of running a car

MOTORISTS are to be offered a "revolutionary new way of acquiring and running a car" by Commercial Union and its motor fleet management subsidiary, FMM group. Readers may be suspicious of promises of "worry free motoring", but CU Drive Plan, which is designed to bring the benefits of company car ownership to private individuals does appear to be genuinely innovative.

The key element of the plan is that the customer has to resell the car to FMM at the end of the purchase period. In return, the plan combines a three-year financing agreement, with a maintenance and servicing deal, offering car owners cost and time savings as well as greater control over monthly motoring expenses. All this for less than it would cost to buy the car through a traditional financing agreement and buy all the services separately.

On the surface, CU Drive Plan looks like a long-term car hire arrangement, similar in some respects to leasing agreements which are more common in the US than in Europe. Monthly payments are made, based on the difference between the purchase price and the expected resale value.

Service is provided by FMM Group and includes full maintenance, and a number of extras such as the provision of an alternative car if necessary. FMM sorts out registration, pays car tax and recovery service membership. It is even prepared to advise on the initial choice of car. CU provides a comprehensive three-year motor insurance policy, as well as credit insurance, against the possibility that the buyer will default of the loan.

For the buyer, the overall cost of the deal is cheaper than a conventional arrangement in which car finance, insurance and maintenance would all be paid for separately. For example, the total net cost of a three-door hatchback under the Drive Plan scheme is quoted as £9,768.60 compared with £12,920.76 through a conventional agreement. Even so, buying your car the conventional way means you would still own the vehicle at the end of the period. Effectively the income from the resale of the car pays for servicing.

The plan allows the motorist to smooth out the cost of his car over the year. "For the first time all motoring costs excluding petrol and oil can be dealt with in an all-inclusive monthly charge, fixed over three years," says CU.

CU and FMM are expecting the deal to appeal to what Keith Andy Welling, head of CU general insurance, describes as the quality end of the market, for which time and control may be as important as cost. "We're not ready yet for the mass market. We have to explain the concept of depreciation finance. Professional people are most likely to understand this."

Richard Lapper

Cost comparison for 3 door hatchback

	CU DrivePlan	Conventional CU agreement
On the road price	7500	7500
Monthly finance payment	183.73	266.95
Maintenancee/Insurance	87.62	91.96
Total monthly cost	271.35	358.91
Total finance payments	10604.28	9610.20
Total maintenance/insurance	3154.32	3310.56
Minus resale value	3990	n/a
Total net cost	9768.60	12920.76

All figures in pounds. Annualised percentage rate is 19.5 per cent. Plan lasts three years.

DIRECTORS' TRANSACTIONS

Buying begins at home

MANY directors within the depressed property sector have been buying shares in their own companies over the past three months: during September, 21 directors purchased shares and only one sold. The entire board of St Modwen Properties have added to their existing holdings at 13p. In the construction sector Y J Lovell and Beazer directors have been buying. In Hawtin, a diversified company with interests ranging from sportswear to property, both L and P J Dovey, chairman and chief executive respectively, have been adding to their substantial holdings.

A number of directors in Jeyes group, a toiletry company, have reduced their holdings. The substantial sale by Michael Moseley, the chairman, is understood to be as a result of his connection with the troubles of Harcourt, the plastics company, of which he is also chairman. Macallan-Glenlivet, the whisky distiller, has seen all the executive directors reducing their holdings. The most recent sales were by the chairman and managing director. Although off their peak, the shares have been among the best performing over the last three years.

Angus MacDonald, Directus, Edinburgh

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Argyll Group	50,634	119	1*
Brent Chemicals	10,000	14	1
General Electric Co	25,000	45	1
Gent (S.R.)	25,000	19	1
Jeyes Group	900,000	1,881	1
Macallan-Glenlivet	65,000	360	1
Scottish & Newcastle	56,514	197	1*
PURCHASES			
Beazer	117,000	103	4
Blotchley Motors	20,000	11	1
Burmah Castrol	2,000	10	1
Dudley Jenkins	25,000	25	1
Hawtin	210,000	25	2
Jourdan (Thomas)	160,000	50	2
Kunick	75,000	20	2
Laird Group	15,000	25	1
Leigh Interests	15,000	36	1
Lovell (Y.J.)	22,000	24	3
Manpower	100,000	55	1
Martin (Albert)	280,000	105	1
Pavilion Leisure	100,000	17	2
Pittencrief	24,500	23	2
Richardson Westgrth	50,000	17	1
Saville Gordon	107,893	28	1
Singer & Friedlndr	3,000,000	1,193	1
St. Modwen Property	1,095,231	133	6
Teredo Petroleum	200,000	14	1
Transworld Comm	20,000	18	2
Whitegate Leisure	400,000	50	2

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 1-5 October, 1990.

Source: Directus Ltd, EDINBURGH

Will your estate exceed £128,000? Then you should be thinking of ways to reduce inheritance tax and perhaps help your children, says Sara Webb

Plan ahead to beat the taxman

ONE QUARTER of the UK population is likely to pay Inheritance Tax (IHT) on death, but it is estimated that only 1 per cent has made any plans for reducing this potentially onerous bill.

Yet one of the most pressing matters for wealthy investors is to reduce their IHT bill if they know that their estate is going to exceed the nil rate band of £128,000.

This week, Glasgow-based Murray Johnstone, one of the larger independent UK fund managers, announced that it plans to launch a new investment trust, called Murray Legacy Trust, which is intended to help investors to reduce their IHT bills.

The new investment trust, which still has to obtain Stock Exchange approval, will allow the investor to give an investment to his children or relatives which will avoid IHT, but which he can still use to obtain income if he needs it at that stage of life. It will be wound up after seven years.

The trust will be a split capital investment trust with two classes of share. The zero dividend preference shares are intended to provide the capital entitlement, growing at a fixed rate, but with no entitlement to income. The ordinary shares are entitled to the full amount of income from the portfolio and will carry an entitlement to the remaining capital growth.

So how will the investment trust work?

If an investor wants to give away part of his capital to his children or relatives, but is reluctant to take a cut in income as a result, he could buy both classes of share and transfer the zero shares to his children, either directly or in a trust, using a stock transfer. The children would inherit the zero shares and would not have to pay IHT provided the donor does not die within seven years. If he dies between three and seven years of transferring the shares, the IHT is calculated on a tapering scale.

The donor, meanwhile, would be entitled to the income from the entire investment by means of his ordinary shares.

Alternatively, if the investor does not require income but wants to give money away, he could retain the zero shares but give the ordinary shares to his children, perhaps to pay for his grandchildren's school fees.

The new trust is due to be floated in January and will invest in high-yielding blue chips. The minimum subscription of £10,000 will be split to buy 6,000 ordinary shares and 4,000 zero shares. Ross Peters, of Murray Johnstone, expects that the ordinary shares will probably be more liquid than zero shares as he believes many of the latter will be held in trust. Further information is available from Murray Johnstone, 7 West Nile Street, Glasgow G1 2PX.

There are other ways to plan for IHT. For example, Towry Law, the tax advisers, have the following suggestions.

For someone aged above 65, they suggest a back-to-back plan which is where you link an annuity with a trust life policy. It works like this. Take the example of a 76-year-old man and his 73 year old wife. Their gross estate is worth £400,000. If they both die, their heirs will receive £291,200 once IHT has been paid.

Alternatively they could use £50,000 of their estate to set up an annuity and life policy which would reduce their IHT bill and leave about £344,000 of the estate after tax. In the worked example below, Towry Law has used a life policy from Norwich Union and an annuity from Pearl.

The £50,000 would be split and used to buy an annuity for £46,318 and the premium in the first year for a whole life minimum cost policy, which would cost £3,682.

The annuity is set up to pay the annual premiums on the life policy (as a general rule, the older the estate owner, the better the annuity rate). So a £46,318 annuity would pay out £7,067 gross income each year. Once tax has been deducted at 25 per cent, the net annuity is £6,182. From this, you deduct the amount needed to pay for the life policy premium (ie £3,682), leaving £2,500 as the couple's 5 per cent annual income from the £50,000 lump sum.

With an annual premium of £3,682, the couple can assure a sum of £82,870 which is paid out on the second death, and is written in trust so that it remains outside the estate. The end result is that the couple reduces the size of their net estate by £50,000 (from £400,000 to £350,000). The IHT paid on the estate is then £88,800, leaving £261,200. However, in addition to this sum, the heir will receive the £82,870 from the life policy, so the total amount left to the heir is £344,070.

Towry Law recommends another strategy for those under the age of 65. You buy an estate protector bond which is held in trust, with half for the benefit of the donor and half for the benefit of the heirs.

The portion which is given away only escapes IHT completely if the donor lives for seven years or more after making the gift, which is why the plan is not recommended for the very elderly. The donor meanwhile receives the income from the whole of the bond.

IHT planning can be complicated and you may require help from an experienced tax adviser.

How to make allowances for your children

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

IF IN my will I were to leave £150,000 to my wife and £160,000 to the remainder of my family I realise that the £150,000 to my wife would be inheritance tax free, but how about the £160,000?

Is IHT allowance set against only the £160,000, leaving tax to pay on £32,000, OR is the £150,000 to my wife, although IHT free, nevertheless averted towards the starting point for IHT, so that tax would be paid on all the £160,000?

In 1982 my wife and I gave £60,000 of land to one of our sons, when I believe the IHT time limit was ten years.

When in your view will the gift become IHT free? The fact that it is within the IHT limit is not applicable, as other gifts have been made.

■ The £128,000 (on current limits) nil rate band is deducted from the £160,000 so that tax will only be chargeable on £32,000. The gift made in 1982 will have borne any tax as an inter vivos gift and no further tax is payable once the three years relevant under the pre 1986 regime have elapsed.

Dividing the cash

I WISH to leave cash to be divided between my husband and daughter on my death. I understand there's a nil rate band of tax of £118,000 with 40 per cent tax charged on any excess.

But, do these above taxes apply to my net estate before remainder can be shared out between husband and daughter? Will my daughters share be taxed before she can receive it. If so, how?

To arrive at my net cash estate can allowable deductions be made such as costs of solicitors services?

If not would it be advisable to make some provision in will for these charges to be deducted, after deductions of all taxes from the net estate and before the remainder is shared out between husband and daughter?

My husband and I own a house which is in joint names. If he predeceases me I inherit the house. If I sell the house at what rate would the proceeds be taxed on?

If I stay in the house, as outright owner and on my death leave the house to my daughter or son-in-law, when it is then sold, what rate of Inheritance Tax would be changed on the proceeds?

To arrive at the value of the house would deductions for payment of remaining mortgage or expenses such as estate agents fees for selling the house be allowed?

■ The nil rate band is now £128,000.

■ The taxes apply to your net estate.

■ Yes, the personal representatives will have to account for the tax.

■ While certain deductions are allowable, these comprise debts at the date of death, not costs, such as solicitor's costs, incurred by the estate after the date of death.

■ Yes, it would be wise to ensure that the share to be disposed of is to the net estate after payment of all funeral and testamentary expenses and costs of administration of the estate.

■ No tax would arise on the sale of the house, if it remains your main residence up to the date of sale.

■ Inheritance Tax would be payable on your estate including the value of the house taken as at the date of your death.

■ You can deduct outstanding mortgage payments but not estate agent's fees.

Giving it away now

FROM THE £128,000 exempt from IHT can I NOW give some or all of it away without attracting any tax or do I have to die first and leave it in legacies?

Can I give to my sons and daughter shares in my private companies without attracting any tax. These could not be sold to any strangers.

■ You can make a gift during your lifetime of any amount you choose, and all will become exempt if you survive the gift by seven years. If you do not, there are tapering provisions in the last four of the seven years, and the first £128,000 of the gift can still be included in the nil rate band.

There is no reason in relation to tax law why you should not make gifts of the shares you describe, and thus effect a saving as indicated above.

Reducing liabilities

MY FATHER died in June leaving an estate of £528,000. After specific bequests totalling £128,000, my mother was left a life interest in the balance of the estate which includes the house in which they lived but was in his name only. On her death the estate passes in equal shares to my sister and myself.

What will be the amount of IHT payable on my mother's death assuming that her own estate equates with the existing threshold at the time of her death? I assume that the amount is £160,000, is this so? Can any action now be taken to mitigate the liability?

■ We agree that £160,000 IHT would be payable (at current rates). The liability can be reduced by gifts out of your mother's free estate, or releases of the life interest made as potentially exempt transfers.

Gift of a house

COULD you clarify the liability to IHT under the following circumstances: the surviving parent owns a house valued at £150,000, the daughter is given this house and sells her own. With the £60,000 proceeds of this sale, the parent's house is converted to a family house and granny flat – to be inhabited by the daughter and family and the surviving parent.

Also, given that the parent's house is part of an estate worth £250,000 would this £150,000 be removed for the purposes of IHT?

■ The gift of the parent's house is a potentially exempt transfer if the parent lives seven years or more after the gift. No IHT will be payable if the remaining assets in the parent's estate continue to be below £128,000 or the nil rate band limit current at that parent's death.

Earlier death would bring the value of the house into computation (subject to tapering, if appropriate). There is a risk that the Capital Taxes Office would argue that there is a gift with a benefit reserved, but if the parent vacates the house during the conversion works it should be possible to argue against this

Tenants in common

MY WIFE and I are joint owners of our house and from various references in the press it would appear advantageous to change to "tenants in common". Could you please explain?

■ The principal reasons for recommending the severance of a joint tenancy (thus creating a tenancy in common on equity) is to enable the joint owners to make provisions in their wills for a gift to someone other than the testator's spouse of a share in the property of up to the value of the amount of the nil rate band exemption (currently £128,000). If that is not done, and if the property is worth more than £128,000 or £129,000, more IHT would be payable on the second death than is necessary.

A letter to my wife

ON THE purchase of our present home in 1980 the property was put into the sole name of my wife for convenience, although it has of course always been regarded as jointly owned. All our other assets (except a separate bank account each) are held in joint names.

We now wish to have our residence recognised legally as beneficially owned as tenants in common. Can this be done without altering the legal title on the deeds? I envisage a written notice to establish joint ownership as tenants in common from and to my wife, with copies to our respective tax offices, which should be the same one under Independent Taxation. Would this be sufficient, or would it be necessary to include in my wife's letter a notification of a gift of one half of the property to ensure recognition of the actual situation?

■ A written notice will not suffice. Your wife must execute a declaration of trust in which she states that she holds the property on trust for herself and you as tenants in common in equity. It would be wise to follow this with an appointment (executed by her) of you as a new trustee so that you can bring your name on to the legal title and thus ensure a smooth transition of the legal title (by survivorship) should your wife predecease you.

A dilemma on the M25

MY WIFE and I, both in our 70s, are tenants in common of a large freehold property in two acres of land alongside the M25 which has blighted our property to the extent that it has proved to be virtually unsaleable.

Our (divorced) younger son occupies half the property and shares in its maintenance. We also have another son who is married and living elsewhere in his own property.

We have made wills leaving our resident son a sum of money from our estate which will enable him to start a separate property, if he so wishes, on the decease of the remaining partner.

But it occurs to us now that inheritance duties etc would probably necessitate a sale of our property in order that this bequest and the division of the remainder of our estate between our two sons could be fulfilled. Our resident son may not wish to have the property sold or it may not be possible to sell at anything but a greatly reduced value because of the M25, thereby depriving both our sons of any potential future value.

It is very difficult to know what to do. It is only fair that our resident son should have a stake in the property having lived here for 15 years and should not be obliged to move out unless he wants to because of a poorly constructed will.

Can you please propose a solution to this dilemma.

■ We think that your better course would be to make a gift inter vivos (ie now) to your younger son of, say, half the equitable interest in the house. There will not be a benefit reserved to you by reason of your continued occupation where the donee is already resident at the property.

Planning ahead

I AM 70 and my wife is 68. I have a modest pension and capital around £60,000 most of which is invested in blue chip shares and unit trusts. I supplement my pension by selling investments and taking profits from time to time to maintain some £5,000 – £10,000 in building societies which I can draw on but aim to keep the capital at about £60,000. This system has worked well over the past 10 years. Our greatest asset is probably good health.

We purchased our present substantial chalet bungalow in ½ acre land in 1973 as joint tenants. It is probably now worth some £350,000. I have given thought to the question of Inheritance Tax and was surprised to see in the FT on 2 June that either of us could convert the joint tenancy to tenants in common by a simple letter to be filed with the land certificate.

What concerns me, is that at some time we or the survivor may wish to move into a more manageable property, perhaps or perhaps not in a lower price bracket with costs. If half the value of the property was bequeathed to our daughter and grand-children on decease of one or other of us less capital would presumably be available for this purpose. Since my employment pension would be reduced by 50 per cent if my wife was the survivor she would probably need some of the capital to live on.

Is there any solution to this which would still enable us to reduce the liability to IHT?

■ There is no simple solution as a matter of strict law. What is required is for the donee to whom the interest in the property of up to £128,000 is given (in order to use the nil rate band on the death of the first to die) to indicate informally that he or she will not seek to realise his/her legacy on the first death but will make a loan to the amount due. Such an arrangement must not however by binding.

The cost of care

MY WIDOWED mother lived in her own home until four years ago, when she made a gift of the house to me, because the responsibility and worry of maintaining it became too much for her. She was then 86 years old but in reasonable health. I am her only child and sole heir, and the arrangement was that she would continue to live in the house, but that I would be responsible for any major repairs. She paid no rent, and continued to be responsible for the rates and insurance.

I employed a solicitor to effect the transfer and to put the property into my name.

My mother is now 90, her health has deteriorated to such an extent that she is seriously contemplating moving to a nursing or retirement home. However, she has no capital to speak of, and only about £2,500 in savings.

She is concerned about paying for such accommodation, having heard that elderly people have had to sell their homes and use the proceeds before the DSS will step in and meet the costs.

What would be the position, given that the house has not been technically hers for four years?

Would I be compelled to sell the house (now worth about £50,000) to pay her nursing home costs?

My daughter is a student, and both her grandmother and I would have liked her to live in the house, the location of which is ideal.

■ It is possible that the gift of the house will be considered to have been a deliberate reduction of your mother's assets, so that its value will be taken into account in assessing her current means. The solicitor who acted for her in the gift may be able to assist, if need be.

Meanwhile, it would be prudent to plan your finances on the assumption that neither you nor your daughter will ultimately benefit from you mother's current and former assets. This is an increasingly common situation, and looks likely to become the norm.

No time to despair

Last scene of all,
That ends this strange eventful history,
Is second childishness and mere oblivion,
Sans teeth, sans eyes, sans taste, sans everything.
As You Like It

SHAKESPEARE did not make old age sound particularly attractive. However, there is no reason for the elderly widow or widower to despair at this stage of life, or to find themselves "sans everything."

They should, of course, already have written a will and thought about inheritance tax (IHT). Further information about IHT appears on the facing page and in last week's Finance & the Family. But on the investment side, what should you be thinking about?

A lot of people consider taking out annuities at this stage of life. But Alan Torevell, of Torevell, Mahon Granville, says that people need to consider very carefully whether they want to sacrifice capital for income. "Only buy an annuity if you are at your wit's end and absolutely have to have income," advises Rupert Smith, managing director of James Capel Financial Services.

With an annuity, you pay a lump sum to an insurance company and it in turn pays you income over an agreed period (usually until you die). Part of the income is treated as interest and part as the return of your capital. Only the part which counts as interest is taxed as income, and the company deducts basic rate tax from it before it is paid. Non-taxpayers can claim this back, while higher rate taxpayers have to declare the income and pay higher rate tax.

If you have built up adequate pension provisions in the previous years then you may not need to break into your capital to provide income *immediately. You may prefer* to invest the capital to provide income over the next few years to supplement your pension.

Torevell recommends splitting a lump sum as follows: 15 per cent in a building society, where you will have instant access to the money in case of emergency; 40 per cent in index-linked gilts; 20 per cent in guaranteed income bonds; and 25 per cent in income unit trusts.

At the moment, guaranteed income bonds are still offering attractive rates, although following last week's cut in base rates from 15 per cent to 14 per cent, the rates on bonds are moving down.

However, you may need to take care when it comes to your tax situation. With guaranteed income bonds, a basic rate tax payer receives the income net of tax and has no tax liability, whereas a higher rate taxpayer has to pay the additional 15 per cent tax on the net income, regardless of whether it is paid out at regular intervals or at the end of the term.

You probably do not want to be receiving all the income from the bonds while you are a higher rate taxpayer: however, be wary of deferring the payment of tax for four or five years with a bond which rolls up the interest because if there were to be a change of government, you could find yourself with a larger than expected tax bill.

The other factor to take into consideration if you are elderly and intend to invest in guaranteed income bonds is the age allowance trap.

If you are over 64, you are entitled to a special allowance on top of your personal tax allowance, and there is an additional allowance for people over the age of 75.

The age allowance is reduced in line with the total income received over and above the top limit of the allowance. As a result, extra income earned above this level (for example due to profits from guaranteed income bonds) can lead to the reduction or complete elimination of the additional allowance.

Other investments which Torevell believes the elderly could consider are index-linked gilts. "For an elderly taxpayer we would recommend a series of index-linked gilts, say 1992, 1994, and 1996, although it may not be worth doing this unless you can put between £15,000 and £20,000 into each tranche. The current attractions are the high yield and the protection against inflation."

He also suggests high income unit trusts "which are providing a reasonable yield in the region of 7 per cent." But the proviso is that you are willing to invest the money for at least three years. You should look closely at how the particular unit trust achieves its high income. If it is investing in smaller companies, bear in mind that this sector can be very volatile. Other fund managers prefer to choose high-yielding blue chips for their high income trusts.

What if you decide that you want to go into a nursing home for the rest of your life? Think twice before selling your house: it may be better to let it and live off the income than to sell it in a depressed property market.

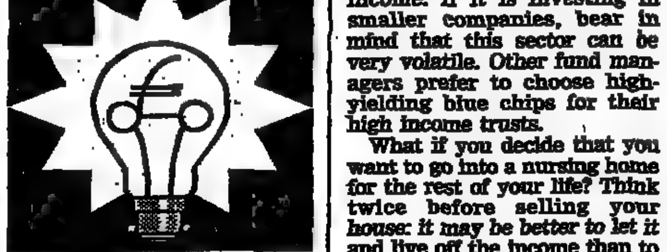
Rupert Smith cites the example of an 80-year-old who decides to sell her house for £63,000 and move into a nursing home. She has a pension of £2,468 a year but has to meet annual nursing home bills of £10,504. So she needs about £8,000 a year plus some measure of inflation proofing. How can she achieve this?

She could set aside £8,500 on deposit for the first year in the nursing home and then buy a series of guaranteed growth bonds, which will mature after one, two and three years.

For example, Smith suggests £7,993 in a one-year bond which will produce £8,800; £8,047 in a two-year bond which will produce £9,680; and £8,097 in a three-year bond which will produce £10,648. The remaining £30,363 could be invested in a four-year growth bond to produce £44,053 on maturity.

Finally, a word about health care. The older you get, the higher your medical insurance premiums. However, you can now get tax relief on medical insurance premiums if you are over 60. This applies whether you pay the premium yourself or whether your children pay it on your behalf.

Sara Webb



PRIVATISATION

A warning to multiple applicants

POTENTIAL investors in the electricity companies were warned this week that the offer will be closely monitored to weed out multiple applications, writes Philip Coggan.

It will be a criminal offence for an investor to make more than one application for shares in any single regional electricity company. The rule does not prohibit investors applying once for themselves, and once on behalf of children or grandchildren. But more than one application cannot be submitted on behald of the same person.

What investors *will* be permitted to do is apply for shares in several different electricity companies. Everyone who has registered with the Electricity Share Information Office will be sent a form allowing him or her to invest in all twelve companies.

The applications will be monitored by Touche Ross, the accountancy firm.

Expatriates

Tax change on bonds

CURRENT AND former expatriates who have invested in Personal Portfolio Bonds have been caught unawares by an Inland Revenue announcement that such bonds will, in future, be subject to a long-standing piece of anti-avoidance tax legislation – Section 739 of the 1988 Taxes Act.

As a result, investors who are – or become ordinarily – resident in the UK stand to be taxed year by year on all of the income arising from investments within the bond whether paid to them or not. Although those who are domiciled outside the UK remain beyond the charge unless bond benefits are remitted to Britain, this change strikes at the heart of the tax benefits on which many bondholders rely.

Personal Portfolio Bonds are, theoretically at any rate, life assurance policies, although the life cover is neither significant nor the point of the product. They are issued to investors in return for conveying to the insurance company a portfolio of stocks and shares, unit trusts and so on, which the investor nevertheless retains the right to manage. As such, they are a development of the Single Premium Bonds.

Until the change of practice, a UK resident holding such bonds paid tax only when benefits were actually drawn. Income and capital gains could be rolled up in the bond tax free and the so-called "premium allowance" permitted up to 5 per cent of the sum originally invested to be withdrawn each year for 20 years without any taxation repercussions.

Portfolio bonds are, theoretically, life assurance policies

It is important to note that the gains made on Personal Portfolio Bonds when they are eventually cashed in are always chargeable to income tax, whether arising from income or capital gains. There are, however, two reliefs.

One relief excludes that proportion of the gain which relates to the period of ownership when the bondholder was non-resident. The other, averages the remaining gain over the UK resident years to ascertain, having regard to the investor's other income, whether the tax should be paid at 25 per cent or 40 per cent. This is the so-called "top-slicing" relief.

The premium allowance is not an exemption since the untaxed drawings are clawed back into the calculation when the bond is sold. It is, nevertheless, the centre-piece of the tax benefits on which the arrangement relies, because the allowance gives investors the ability to defer tax for a long period. It is precisely this deferral which the operation of Section 739 threatens to sweep away.

However, such an outcome is not a foregone conclusion. The section will not apply if you can prove to the satisfaction of the Inland Revenue either:
(a) that avoiding taxation was not the purpose or one of the purposes of buying the bond or
(b) that its acquisition was a bona fide commercial transaction, not designed for the purpose of avoiding tax.

A meeting between the life companies and the Inland Revenue on the precise meaning of these words is pending. Meanwhile the onus of proof falls on the investor.

It has to be said that compelling non-tax reasons for buying portfolio bonds do not spring readily to mind. Avoiding exchange control problems might be one. Also, a desire to hold funds in a politically stable area, or to maintain all assets in one account with a secure organisation, has been thought useful by one life company concerned.

But some of these objectives can be readily achieved without using portfolio bonds. Anyone thinking of claiming the benefit of one of the exemptions, would do well to review any correspondence leading to the purchase of the bond to remind himself to what extent – if at all – tax factors were important in the decision to proceed.

However, what does seem clear is that the longer the period between the purchase of the bond and return to the UK, the greater the likelihood of success.

Naturally enough, companies which specialise in portfolio bonds are anxious to avoid a flight of capital from their products and, as some of them have pointed out, one possible way forward would be for investors to switch into the bond those of their investments which are aimed at capital growth, rather than income. Unfortunately, such a course of action could have serious tax drawbacks.

Since portfolio bond gains are taxed as income, investors would lose the more benign capital gains tax treatment available on their non-portfolio bond shareholdings. In other words, they would lose the ability to claim indexation relief, the £5,000 exemption available separately to husbands and wives and the elimination of all gains at death.

Donald Elkin

Donald Elkin is a Director of Wilfred T Fry, of Worthing, West Sussex.

Insurers eye the female factor

WOMEN COULD soon be able to buy a range of new insurance products as the country's insurers gear up to tap an undersold market. Insurances designed to meet the special needs of women during pregnancy, childbirth, divorce and retirement are all being examined by insurers.

A research document prepared by the Mercantile and General Reinsurance Company, the reinsurance subsidiary of the Prudential, gives details of possible products. Examples of new policies suggested in the document include mortgage repayment holidays for pregnant women, policies covering women against the denial of their husband's pension benefits after divorce and permanent health care insurances for housewives.

The document, which was discussed by 80 delegates from the UK industry at a meeting in Torquay last week, comes at a time when many companies are examining their product development and marketing strategies in the light of the introduction of independent taxation for women earlier this year. Companies taking new product or marketing initiatives recently include Guardian Royal Exchange, Legal & General, National Mutual Life and Barclays Life.

Efforts to market life insurance products to women in the early 1970s by offices such as Langham Life and St Georges did not prove particularly successful. But, says M & G's Ron Wood, who is one of the authors of the research document, attitudes are now changing and insurers see the women's market as "much undersold".

Underpinning insurers' interests are the well-known statistics which demonstrate the growing economic role of women. Between 1971 and 1987 the percentage of married women in employment grew from 47 per cent to 60 per cent. Women are becoming more independent, marrying and starting families later. More women have their own bank accounts, credit facilities and mortgages than ever before. Sixty three per cent of women now have building society accounts. Divorce is also becoming more common and the insurance industry, needs to recognise this reality, says the report.

"Women provide a major marketing challenge to which financial services companies are only just reacting," says the report. At present only 20 per cent of women are adequately financially covered.

Richard Lapper

MINDING YOUR OWN BUSINESS

Brooklyn bridges a taste gap

Nicholas Lander examines the cases of America's independent brewers

THIRTY CASES of Brooklyn lager have just arrived at Harrods in London. This may be a drop in the ocean in terms of overall beer consumption in the UK but Brooklyn lager, like so many of America's fashionable small beer companies, owes a large debt to CAMRA, the Campaign for Real Ale, and to Britain's beer experts.

Brooklyn lager is the brainchild of Steven Hindy, a former journalist, and Tom Potter, 34, a former bank vice president. Like an American fairy tale what began as idle discussion – over a few beers watching the 1986 World Series on TV – ended in triumph when their beer came top in a big New York tasting in 1989.

Along the way a number of other American ingredients have played their part: a label designed by the renowned artist Milton Glaser, support from Brooklyn film director Spike Lee and the usual mix of T-shirts, bicycle caps and bar quizzes in this case all based on Brooklyn.

Hindy had learnt to brew beer the hard way, while working as an Associated Press foreign correspondent in "alcohol-dry" areas of the Middle East. He was for a short time taken hostage in Beirut. Back in New York he continued his kitchen stove brewing and tried the results out on Potter, then with Chemical Bank.

The idea of starting their own brewery gripped them as it is gripping many others in America; before them Jim Koch had left his job at the Boston Consultancy Group and a salary of $250,000 (£127,000)to start making his own beer, Samuel Adams Boston lager.

Their initial preoccupations were threefold: to raise capital, to find a professional, sympathetic brew master to supervise production and to find somewhere to make the beer under contract. A total of $500,000 was raised from friends and family which gave Hindy and Potter the confidence to leave their jobs to concentrate full time on their dream. Bill Moeller, whose grandfather had brewed beer in Brooklyn before Prohibition, was persuaded out of retirement and brought with him his grandfather's brewing recipes, and a contract to brew the beer was made with F. X. Matt in Utica, New York State. In March 1988 Brooklyn lager appeared.

Over the summer and autumn the company prospered. The beer, fuller in colour and flavour and slightly stronger than most American beers (5 per cent alcohol by volume), is a particularly refreshing drink similar in taste to Stella Artois or a West German lager.

However, it is difficult to buck trends, particularly for a young company, and US beer sales fell dramatically over the winter months. By December 1988 monthly sales were 3,450 cases, in January 1989 these had halved to 1,700 and only recovered to 1,900 in February.

The company took steps to cut overheads. Distributors were found for Manhattan and Long Island to cut delivery and sales costs, and four salesmen, a driver and the office manager left. Hindy and Potter took salary cuts and went back on the streets to sell their beer. They caught up with office work at night. By April sales had recovered and in its first year Brooklyn lager sold 30,000 cases, more than $500,000 worth of business.

In June 1989 the brewery passed the magical break-even point of sales of 4,500 cases per month and soon reached 5,800 cases. However, the vagaries of a seasonal business and the insatiable appetite of any growing business for cash have led to a second call for shareholders's funds and a further $500,000 was raised earlier this year. Sales are now more than $1m per year and Brooklyn lager is now drunk in New Jersey, Massachusetts, Washington and Florida as well as Japan thanks to a tie-up with Taiyo Resources International.

Brooklyn lager's financial plans do not yet include the construction of its own brewery and it is this reliance on a contract brewer which sets this company apart from the true microbreweries.

Ever since the mid-'70s there has been a rising interest in beer produced on a small scale in America which has mushroomed in the last five years. The interest started when Jack McAuliffe, who had been based at the Holy Loch naval base in Scotland, returned to California in love with real British ale. He founded the New Albion brewery in Sonoma, California which, although it did not prosper, provided the equipment, personnel and enthusiasm for the Mandocino County Brewery which still flourishes.

By July 1990 the enthusiasm for these beers and the way of life associated with such small-scale production had spread across America and there are now 78 microbreweries, 125 brewpubs and 43 contract brewing companies in 38 states.

The formal definition of a microbrewery, according to their parent body, the Association of Brewers, in Boulder, Colorado, is one which produces less than 15,000 barrels of beer a year. This is in contrast to Coors which produces 15m to 20m barrels a year and Anheuser-Busch's 90m barrels from their 12 US plants.

Steve Hindy (left) and Tom Potter, the founders of Brooklyn Lager

Microbrewed beers still account for only 0.1 per cent of US beer sales. The crucial business decision facing anyone planning a new beer venture is whether to risk the capital and take the purist path by building a brewery or, as Brooklyn lager has done, to create the market for the beer and then eventually invest in the brewery.

The cost of building a brewery can vary from $250,000 to $1m but there are other obstacles – the production of an alcoholic beverage, legal obstacles ranging from federal to municipality level, and zoning, health, effluent and licensing hurdles – to be overcome.

Contract brewers with spare capacity can offer attractive terms to those who feel they have discovered a secret elixir and there is already in this fledgling industry some antagonism between the contract brewers and those who do everything themselves, such as D.L. Geary Brewing in Portland, Maine or the Widmer Brewing in Oregon.

As well as the original enthusiasm Britain has also supplied a great deal of the technical expertise and recipes behind this beer renaissance in the US. Peter Austin, a pioneer of microbreweries in Britain, has acted as a consultant to many microbreweries around the world, including China, while much of the inspiration for beer recipes long forgotten has come from the writings of Britain's beer guru, Michael Jackson, and in particular *The Pocket Beer Book* (Mitchell Beazley £5.95) and *The New World Guide to Beer* (Bloomsbury £15.95) which has been translated into eight languages.

Later this year a full container-load of Brooklyn lager will arrive in Britain to quench the thirsts of this country's growing band of real ale enthusiasts.

Anne Fry meets a former social services officer who offers the elderly independence and security

Homes for the old, a Porsche for the boy next door

BOB BESSELL, managing director of Retirement Security, owes his first stroke of financial luck to the Pope.

In 1983, the Catholic Church decided to sell a Stratford-upon-Avon field for £95,000 to cover losses incurred during the Pontiff's historic visit to Britain. Bessell, who had spent two years looking for a suitable site for Tiddington Court, his company's first £1m private, "very sheltered" housing development, snapped it up.

Bessell, then Warwickshire's director of social services, set about finding the initial capital. "It became apparent we needed £200,000 and that was a nightmare figure to me."

First, he borrowed £20,000 from Lloyd's Bank on the strength of his four bedroomed house,worth around £80,000 in 1983. "I still live there as I can't afford to move."

He persuaded friends to invest in the close company. The five principal shareholders included himself, a Swedish businessman, Goren Nyman, and a Leamington Spa solicitor, Peter Asbury. The others were accountant Ian MacAlleeter, now the company secretary, and Bessell's former colleague, Graham Faulkner, who became regional director for the Midlands – and its second employee – in 1985.

Bessell then beavered away to find 25 more people willing to put up between £500 and £5,000. He recalls one particularly successful dinner where five guests decided to chip in £20,000. But they faced quite a battle to get the cash. One visited every bank in the local high street before obtaining a £5,000 loan. Another only got £5,000 after his bank manager repeatedly warned of the great financial risks.

Another bold investor was the 14-year-old boy next door. Bessell recalls: "I told him if he put in £1,000, one day he could have a Porsche. The next day his father told me: 'He does have £1,000 and his dream is to own a Porsche.'"

Having raised that first £200,000, Bessell then took his biggest gamble and quit the security of his public sector job. On July 31 1983, he lost 2,500 employees and became Retirement Security's managing director and sole employee.

He quickly found himself dealing with big money. The company was established with issued share capital of £200,000 and authorised share capital of £250,000. In 1986, the authorised capital was doubled and Kleinwort Benson made a capital loan of £300,000 in exchange for an option of 25,000 £1 shares.

The capital loan has since risen to £500,000, the Kleinwort share option to £40,000 and the authorised share capital to £600,000. The company has effective working capital of about £1m. Says Bessell: "I always felt the company would succeed and that it was for the big time, but it's only now I realise the risk I took."

Bessell, a social services director for 12 years, deliberately quit six months before his 50th birthday. "If I'd stayed I could have had a pension at 50, but I didn't want this to be a retirement job."

Becoming a managing director was quite a change – he worked at home and wrote all letters by hand. "Old ladies wishing to buy property were charmed but the bank managers I was trying to get money out of were very suspicious."

Bessell set up the business because of his dissatisfaction with the traditional old people's homes he ran in Warwickshire. "The staff were dedicated, but the concept was wrong and I wouldn't have accepted it for myself."

As Warwickshire's director, he pioneered public "very sheltered" housing and then decided to plug the private sector gap. It was an idea that became a business, he says.

His company specialises in wheelchair accessible accommodation for frail owner occupiers willing to pay between £60,000 and £120,000 for a two bedroomed flat in a good location. A selling feature is the emergency link between each flat and housekeepers on duty around the clock. The aim is to provide old people with independence. This is achieved in 98 per cent of cases.

Each complex comprises private accommodation and communal facilities such as lounges and restaurants. Bessell says this means owners, whose average age is 80, can be as sociable as they like. The service charge, pegged to the State pension, covers the upkeep of the buildings, staffing costs and some domestic help. An owners' company protects residents' interests.

Tiddington Court was completed in 1984. The company's auditors, DeLoitte's, introduced Bessell to the British Linen Bank, which lent £750,000 at 2 per cent above base. That was very reasonable for a new venture and the bank took a risk.

The company assembled a team of professionals but Bessell did not like the furnishing plans. "Eventually, it dawned on me that my wife, Margaret – a social worker with tremendous taste – could do the design. She modelled it on an hotel and got it just right."

Advertising for customers has always been done through local newspapers and parish magazines. Bessell says his company has been largely unaffected by the downturn in the housing market as private "very sheltered" housing is in short supply.

On average, the company has completed one project a year, but 1990 has proved a bumper year with three projects. Ashby Court, Hinckley, which cost £3m and was financed by Kleinwort, was completed in April. Embrook Court, Reading, which cost £4m and was backed by Nationwide Anglia Housing Finance, opened recently. A £4m scheme in Lewes, Sussex, was funded by Barclays.

The company has always made a profit. The pre-tax profits for the year ending April 1990 are £100,000, compared with £175,000 the year before.

Although his move to the private sector was greeted with scepticism, there is now no shortage of public sector colleagues willing to join him. His number two is Liverpool's former deputy social services director, Rory Duff. And the company's regional offices in Warwickshire, Berkshire, Sussex, Northampton and Manchester are all run by former social services managers. Bessell recruited them because it's very difficult to teach a social worker business, but it's impossible to teach a businessman social work.

The company now has 250 staff and a turnover of £18m. He sees marked similarities with his old job which also involved managing a large budget.

Bessell, whose salary is £45,000 and whose family owns £80,000 of shares, hopes Retirement Security will become a major public company.

He adds: "My dream will become reality when the boy next door . . . gets a Porsche."

■ *Retirement Security, 6 Wood Street, Stratford-upon-Avon, Warwickshire, CV37 6JE. 0789-292952.*

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PERSPECTIVES/GARDENING

Churchill: the secret resistance agenda

*Did Churchill's fear of 'crypto-communists' lead to a betrayal of freedom fighters? **Anthony Verrier** sifts the evidence*

THE VAST concentration camp of Hitler's Europe, where each man took his way alone, presented a challenge to fortitude which few could meet. Few in Britain, outside the concentration camp, could know what resistance to Hitler required in terms of fortitude and endurance.

Perhaps we know better today. We remember, rightly, the young resistant, shot just before the liberation of Paris in August 1944, who spoke for so many patriots: "Je ne meurs ni pour une faction, ni pour un homme. Je meurs pour Elle, pour mon idee a moi de la servir." ("I have not died for a faction, or an individual. I have died for France, for an idea, to which I have given all.") There was the young Dutch *resistant who, silent to the last, had* his eyes put out with a fork.

There is, however a harsh truth *of realpolitik underlying* the martyrdom. Churchill dubbed resistants of the left "crypto-communists"; he saw resistance movements as potential prey to Stalin's ambitions. Churchill, for all his qualities, was a man of his times. He genuinely sought Europe's liberation, and the restoration of sovereignty to democratic states: a man of the right developed the left in resistance movements, irrespective of its justification and role. Would post-war governments reflect Churchill's vision of Europe? He was determined that they would.

The history of resistance to Hitler – and to his Quislings – is a compound of truth, legend, and the harsh reality that Churchill and his *advisers manipulated resistance* movements to serve British interests. In the short-term this meant using resistance movements as an "adjunct", in sabotage and the like, to conventional military operations, specifically the liberation of Western Europe, at some unspecified time. In the long term it involved denying resistance movements effective political expression if this took the form of left wing, or supposedly communist-inspired, activities.

Churchill and his closest advisers, the Chiefs of Staff, were able to manipulate resistance movements to alternate between short term policies – opposition to Vichy in North Africa, support, up to a point, for Tito in Yugoslavia – and the long term – opposition to left wing resistance movements in France, the Low Countries, Italy, and Greece. All such movements were dependant on British support for the four essentials of clandestine activity in occupied Europe: sanctuary and the means of arrival and departure; agents; arms and munitions; cash.

It was not so much the Old Man of the Sea who strangled expectations as a clear, unemotional perception in London that the one area where Britain could exercise undoubted, untrammelled strategic and political power was that which, paradoxically, seemed most immune to it: occupied Europe.

Churchill and Whitehall marked time through the lean year of 1941, when occupied Europe really began to feel the lash, yet during which resistance operations, embryonic and haphazard, were marked and marred by insecurity and treachery rather than by the slow, careful *development of sound organisation.* Organisation depended in turn on resources; the Chiefs of Staff were *niggardly; SOE* a poor relation, dependent in turn on M16 for too much by way of support. But, as the year ended with Russia holding out and the US, the "arsenal of democracy", forced into global war, the three British Secret Services began to report fundamental change.

"The rising tide of resistance", above all in France and Belgium, had acquired a political identity. The rising tide was, apparently, "communist and left wing . . . uninterested in the restoration of pre-war governments". Resistants were no longer prepared to accept a role as an adjunct to Churchill's strategy but, while aware of their virtually complete dependence on British resources, nevertheless sought a *place in the "necessary revolution"* of the post-liberation period.

Therein lay the seeds of conflict between Churchill and European Resistance, but one which resistants, by and large, were bound to lose, and did.

Why? Deep within the Whitehall labyrinth lay the headquarters of the three Secret Services, tasked in their various ways to acquire intelligence about the situation in occupied Europe, and to put the result to some practical use, namely of inflicting the greatest damage on occupation forces – at the appropriate time – while preventing by means both devious and diverse, any "premature uprising" which might either fail – or succeed, in the revolutionary terms opposed by Churchill.

To prevent such uprisings, or to ensure that spontaneous combustion was never fanned into the flame of revolt, the Intelligence and Security Services maintained a rather closer relationship with Vichy and other Quisling regimes than has been, officially, admitted.

There were those in the Special Operations Executive, primarily tasked to support resistance movements in the necessities of sanctuary, agents, arms, cash – but not, *contrary to popular belief, ordered* "to set Europe ablaze" – who thought, believed, and acted, along different lines. But such men and women were mostly in the field, and the few brave enough, or unfortunate enough, to encounter Churchill direct and argue that effective resistance subsumed political differences, were given short shrift. Churchill sacked Hugh Dalton, SOE's first Ministerial chief once he discovered that Dalton did want to set Europe ablaze, in (Fabian) revolutionary terms.

Churchill agreed wholly with the Chiefs of Staff who, by early 1942 when it became clear that Stalin would defeat Hitler, had begun to argue for a post-war Western alliance against a hostile Russia, Germany included. In the context of such political simplicities and certainties, European resistance was to be supported or dropped at will.

Churchill's hidden agenda for a return to Europe was strengthened by the coalition which irrationally hardened in beleaguered wartime Britain. It was a coalition subject to Churchill's will, perception of events, mastery of argument and control of favours and resources.It included De Gaulle; the governments in exile (all but the Greek housed in London); and, most critical to success in Churchill's terms, the Chiefs of Staff and their subordinates in that Cabinet committee and Whitehall system which enabled the business of war to be conducted with speed if, for long, lean years, rarely with success.

The coalition's common denominator of conservative, if not always wholly reactionary convictions, denied revolutionary aspirations however heroic the resistances' sacrifice. De Gaulle's espousal of "revolution" – in resistance terms – only disguised his detestation of it in practice. Hence the undisclosed, unadmitted bond with Churchill. The Governments in exile represented assorted political beliefs – above all those prevailing in and before 1939 – but believed above all that they possessed legitimacy, and the right to return at liberation.

For the restoration of France to a Republic wholly devoid of a Popular Front Churchill needed to undermine Vichy – and did so, in spite all that Roosevelt could contrive by some clandestine manoeuvres of his own. Churchill also needed to convince de Gaulle of a common objective, and succeeded. SOE, in becoming, as Churchill directed, "a conservative instrument", became a Gaullist weapon – not that de Gaulle would ever admit it. But Jean Moulin, de Gaulle's heroic lieutenant, grasped this truth from the time he arrived in London from the Unoccupied Zone in October 1941. Until his martyr's death in June 1943, Moulin acted in pursuit of this truth.

In the Hotel de Ville on August 25 1944 de Gaulle told assembled resistants they were no longer needed as part of his grand design and were to give way to the French Forces of the Interior, an instrument fashioned, in London, as an adjunct in sabotage terms to liberation – a very effective one in the event – but also designed to jump on the Left, overt and covert. The FFI, precursor of a reconstituted French army and Gendarmerie, duly obliged – neutering Maurice Thorez and the French Communist Party in the process – and although de Gaulle's first presidency was brief, it was decisive in shaping post-war French politics. But the architect was Churchill, to whom the FFI owed its existence.

In Belgium, after the liberation of Brussels on September 3 1944, General Erskine, commander of the 7th Armoured Division, transmogrified into Chief Civil Affairs Commissioner for Belgium, rounded up 30,000 allegedly communist resistants, on Churchill's direct orders, and had them packed off to Northern Ireland. Further, similar, action was taken in November, in spite of protests in the House of Commons. Churchill dismissed these, as he did those regarding Italy and Greece, with the air of a statesman rebuking politicians.

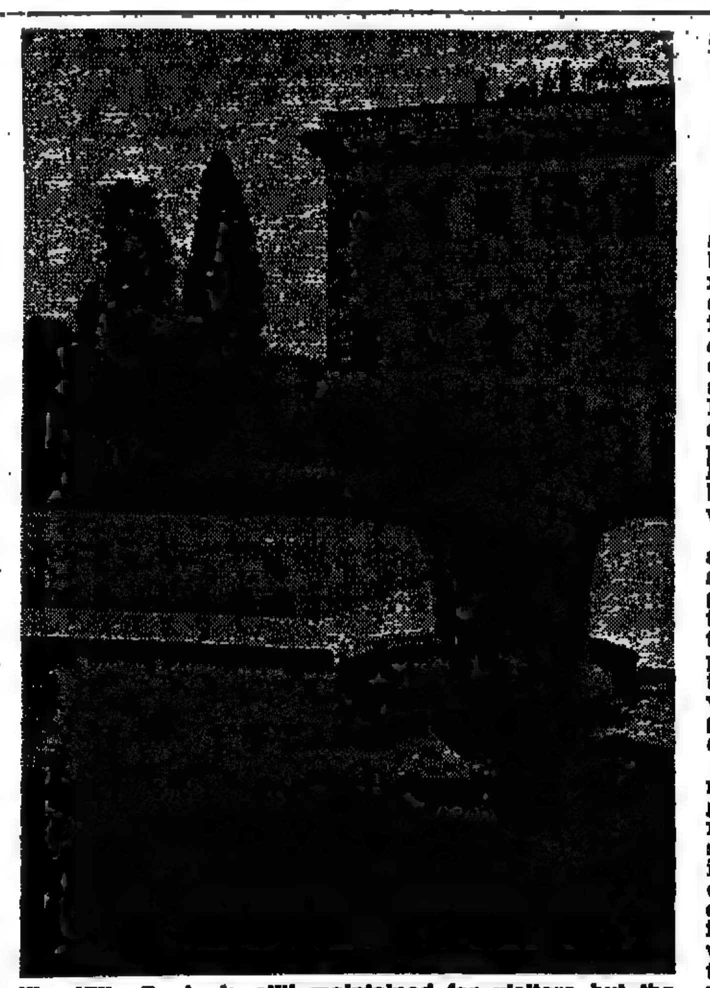
The mass of documentary evidence for Churchill's counter-revolution in Italy shows that from early 1943 when Husky (the invasion of Sicily) was planned to the final withdrawal of British troops in December 1947, opposition to the left was a fundamental element in Churchill's – and Bevin's – policy.

Civil Affairs and Military Government officers were ordered to put flesh on bones of instructions written for them in Algiers before invasion. An anti-Fascist policy would not only proceed with extreme caution but, as Sir Noel Charles, the British High Commissioner in Rome, reported to the Foreign Office on September 7 1944, "a complete de-fascistisation according to the Communist plan would amount to nothing more nor less than a communist revolution." There were *allegedly three million communists* in Italy, but Ercole Togliatti and his followers were neutered, as post-war elections were to prove.

Greece is a simpler, cruder story. British bayonets put down an attempted coup in Athens during Christmas 1944. This action was aimed at communists whose resistance activities were directed against the Greek Right rather than the Germans. Churchill presided, with a kind of genial ferocity, over counter-revolutionary action, successful in the short term, stymied for a while, ultimately wholly successful. King George returned, much against the wishes of his people, but at Churchill's insistence.

■ *Assassination in Algiers; Churchill, Roosevelt, de Gaulle and the Murder of Admiral Darlan by Anthony Verrier will be published in November by W.W. Norton in New York, and in February by Macmillan in London*

A garden to stimulate the imagination



The Villa Reale is still maintained for visitors but the Bonapartes and their cohorts have gone

Robin Lane Fox visits Europe's most famous green theatre

I HAVE just put a gardening image to a famous beginning: like Tolstoy, we may as well plunge straight in. "So, prince," he begins, "Genoa and Lucca are now no more than private estates of the Bonaparte family . . .": 1,000 pages of *War and Peace* follow, but this opening remark at a party has always intrigued me. We are listening in distant Russia to events in southern Europe, as people might nowadays talk in London about some remembered corner of Kuwait: what was it like on the ground?

Part of the answer is green and theatrical, as you can still see near Lucca in one of Italy's greatest gardens. At Marlia, the Villa Reale is still maintained for visitors: the Bonapartes have gone and so have their private cohorts of servants and soldiers, leaving the garden with *that strange feel* of space and emptiness.

Nonetheless, the grounds retain a very clear stamp of the garden in which one of their number lived it up. As Tolstoy's characters were speaking, the Villa at Marlia was the cause celebre of the conqueror's exploits on Italian soil. It is still a fine historic garden with a feature which stands at the top of its class in the world.

By 1806, Napoleon was strong enough to turn out the old rulers of north and west Italy. Liberty and equality led to a literal interpretation of fraternity: with the true gratitude of the liberator, he gave these lands to members of his own household. In Tuscany, the beneficiary was his strong-willed sister, Elisa. Minor princesses were rooted out and sent packing back to Madrid. The world's most romantic title, Queen of Etruria, fell vacant; Napoleon gave Elisa the lands around Lucca, recognising that she needed something greater to rule than her husband.

At Marlia, she inherited a garden of which parts are still intact: she enlivened them and set about improving the house. The property was bought at post-revolutionary levels, and the former owners who had lived there for nearly two centuries, are said to have turned the purchase price into silver-plate, packed it on wheelbarrows and paraded it under the house, calling to the new incumbent to watch Marlia passing beneath the windows. Buyers in a recent market might be tempted by the opposite strategy – demolishing the house, turning on the insurance and parading the bricks before the seller's premises.

A Napoleon would never sit quietly, not even in the formal gardens of an Italian villa, laid out in the late 17th century. Elisa also felt that there were far too many religious houses and orders in the region of Lucca: why not abolish most of them and spend their income on something useful, hospitals, perhaps, or schools or improvements to grandiose gardens?

Her brother enabled this small reformation: the facade of Marlia was one of the first beneficiaries, gaining the austere neo-classical front which still confronts its visitors. It looks just the same in the books of Napoleonic prints.

Another beneficiary was the garden. It already had style, some fine balustrading and hedges, lemon-trees in pots, a broad basin of water, grottoes, archways for nymphs and fountains and other surprises in secret corners. It was not, however, sufficiently grand. Down to Marlia, therefore, came the French architect Morel who was already designing the Napoleons' pleasure park at Malmaison. He broadened vistas, planned bigger and better lakes and had numerous ideas for spending money. The fountains would have become French and spectacular, had Napoleon not been defeated in time.

Nobody knows the original garden-architect's name, but in the mid 17th century, Marlia had been given a grand Italian garden, just at the time when Le Notre, back in France, was redesigning the royal palace-grounds. At Marlia, the gardening was formal but more intimate and done in a style to which some of England's great gardens have been heirs: visiting it last week, I found it hard to believe that Lawrence Johnston, creator of Hidcote, never saw the design before he started work.

At Marlia, too, there are tall mixed hedges of yew and holm-oak, a circular pool of water in an enclosed green room and a wonderful vista straight up the hedged and gated garden past a broad pond with swans. Lemon trees in wonderful pots still line the axis above small pots of bougainvillaea: the vista ends in an elegant stone archway, a shrine of the nymphs whose later statue of Leda reminds lady visitors to beware of swans.

Napoleon's sister made the most of her private estate. The park was filled with merino sheep; a guard of honour was maintained to salute her and well-bred horses graced the stables. So did the Grand Equerry, an Italian with a famous ancestry. According to author Sir Harold Acton, who seems to know, "Often they went riding together and rested to bill and coo on a mossy bank, unconscious of indiscreet eyes behind the bushes." Moss however, is not very evident at Marlia in high summer.

The garden has a particular mixture of charm: its generous vistas were enlarged by a French Napoleonic architect; its 17th century ground plan was laid out to one side much earlier; tall trees have been left to grow in peace since the mid-19th century; there are the remains of many improvements from the 1930s when the villa was bought by the family who have done so much to restore it and took the egregious name of Pecci-Blunt. Marlia is an unusual map of European styles and it has some of the curiosity, to my mind, of a European Community. Its heart, however, lies off the older axis: Marlia has the most famous green theatre of any historic garden in Europe.

Enclosed by tall yews, the footlights are rounded clumps of box; the conductors's seat is clipped from topiary; the stage is much greener than England in 1990 and looks on to a round auditorium where seats are clipped from bushes of yew.

It was here that Napoleon's sister staged her *coups de theatre.* Inheriting a ready-made stage, she arranged for Racine's plays to be performed in the green; music was entrusted to the great Paganini who directed the score for Elisa and her guests in the very garden we can still see.

From the stage, the actors could look out down the axis through the garden's old green rooms to the broad pond and its balustrades. The yews were already ancient: by conquest the Napoleons had a green theatre overnight.

For the rest of us theatre-lovers, this garden feature takes many years to mature. Nowadays, the grounds at Marlia (open every day, except Mondays) are quiet and usually empty, left to the power of the imagination.

Elisa is long gone and forgotten, taking her lovers and horses with her: at the back of the stage, in autumn, the ground is now patterned with wild pink cyclamen, flourishing beneath the theatre's evergreen wings. Napoleons come and go, and so do war and peace, but nature has stepped into their space and given the garden another blessing.

Scope for experiment

Arthur Hellyer on a beautiful — but tricky — plant to cultivate

IN JERSEY they call Amaryllis belladonna the Jersey lily because it grows so freely there. It is a pity that this popular name has not been more widely used since "belladonna lily", the only alternative I know, has a sinister sound – belladonna being a dangerous poison obtained from the deadly nightshade, a totally different plant.

Even amaryllis, although accurate and pleasing, is so widely misused for hippeastrum, the big, brash trumpet-flowered bulb popular for growing in pots for winter decoration, that it causes confusion.

It is of Amaryllis belladonna that I write today, a beautiful South African plant that in my Sussex home I can only grow in sheltered sunny borders preferably at the foot of south facing walls.

Some years ago I was given a few bulbs of Californian varieties. I planted them in a garden in Jersey, in which I have an interest, and I have followed their fortunes there ever since. They have never disappointed me but this year they are better than ever and there must be at least ten times as many bulbs as I started with. That is because they have spread steadily by self-sewn seedlings many of which are *flowering* for the first time this autumn which accounts for the superlative display.

What is special about these Californian Jersey lilies is that they were selected for flower shape and colour. The amaryllis flower is composed of six *long segments overlapping to* form a shapely trumpet but in the common form each segment is pointed and curves outwards at the tip giving an irregular mouth to the trumpet.

They are nearly always pink with a white flair in the centre. All the Californian varieties I was given had broader, more rounded segments which give a much firmer, smoother mouth to the trumpet and all were pink more or less throughout, some of them a deeper or rosier shade of pink than is usual.

There were already ordinary pink and white spiky trumpeted Jersey lilies growing in this garden and clearly the two types have exchanged pollen freely because there are all manner of intermediate shapes and colours among the seedlings.

I also planted, at about the same time, a bulb of the white flowered Amaryllis Hathor and this must also have taken part in the totally unorganised breeding since I now have several clumps of bulbs bearing white flowers and one or two that are an unusually pale pink.

Patrick Synge, who gave me the bulbs, died some years ago but he wrote what I still regard as the best book on bulbs that can be grown in British and North American gardens and greenhouses – *Collins Guide to Bulbs* published by Collins in 1961 – and I turned to this for enlightenment.

Under the varietal name "multiflora" it describes a strain of varying colour shades and with large flowers raised in Australia and much developed in California and suggests that it may have the same origins as a variety or bigenerate hybrid named Parkeri.

It all seems to me highly speculative but for the practical purpose of getting better *and more varied varieties of* amaryllis for gardens it does not seem to matter greatly.

What does astonish me is that, with these fine plants around for so many years and so ready to produce great crops of their big, pearl-like seeds, no one appears to have got around to the task of developing them commercially. Part of the explanation may be that although the seeds germinate easily it is several years before the seedlings are sufficiently sturdy to flower. So breeding could be a long-term undertaking.

There are differing opinions as to how best to grow Amaryllis belladonna out of doors. Many writers advise planting the big bulbs deeply to protect them from frost but when I tried this I got plenty of leaves but no flowers. I brought the bulbs close to the surface where they felt the warmth of the sun and flowers soon began to appear. I notice that the self-sewn seedlings in Jersey seem to settle for this kind of position with the nose of the bulb just below or just peeping through the surface and I conclude that this is what the plant really likes.

There are also differences of *opinion about the hardiness of* this plant. I have never seen a bulb damaged by frost but leaves can be cut severely. There is no doubt that this plant needs sunshine and warmth to enable it to grow well and ripen its bulbs.

There is also difference of opinion as to when bulbs should be planted. Often it is a matter of Hobson's choice as one must take the bulbs when they are offered for sale, sometimes in autumn, sometimes in spring, but I think that late summer, when they are dormant and just about to flower, is probably the safest time.

The flowering season outdoors can be spread over at least six weeks but not from the same plant.

MOTORING

Why auction houses are forced to apply the brakes

***John Griffiths** explains how speculators have had their fingers badly burned in the classic car market*

THE CLASSIC car market is bumping along after suffering not so much a puncture as a blow-out. Towards the end of last year a Ferrari 250GT Berlinetta Lusso fetched £440,000 at auction. Last week, at a London sale by Philips, a similar car went unsold with no-one prepared to open bidding at £100,000.

In October of last year, auction house Brooks sold an Aston Martin DB6 at £55,000. It is back in the company's London sale to be held in mid-November. "We expect it to make the high £20,000s," according to principal Robert Brooks.

A bit further down the scale, that most popular of roadgoing classic cars, the Jaguar E-Type, is providing similar disappointment to many who bought them as sure-fire investments in what is now being seen as a classic cars "gold rush" between early 1987 and the end of last year.

At the peak, prices were massaged up to towards the £50,000 mark. Now, a very good 4.2 E-Type might make £25,000 – £28,000. The one at Philips' sale last week made £20,000.

Even down among the MG Bs, Triumph TR6s and other "affordable" classics, prices have fallen – although not as spectacularly – as high interest rates have sapped disposable incomes.

Nor is the lack of confidence which has afflicted much – but not quite all – of the market confined to the UK. Last month's Sports Car Auction Company sale in the glittering surroundings of the Grand Hotel Jungfrau at Interlaken resulted in 40 cars being sold out of 89 offered, with most prices again well down.

So what has gone wrong?

Quite simply, in South Sea Bubble style, speculators who forced the market up to levels which would have been regarded as impossible as recently as the mid-1980s, are preoccupied not with bidding but with sucking fingers that have been badly burned, say classic car market analysts.

They are doing so, Brooks says "because they started believing their own hype. With some types of cars, particularly roadgoing Ferraris, there was really wild overpricing. By last year speculators had become the dominant force in the market."

Most of the auction houses, in the privacy of their back offices no less agog at the price and commission spiral, could hardly be blamed for not trying too hard to avoid "tears before bedtime."

But the practices of some parts of the international auctions business have also contributed directly to inflating and bursting the bubble. Cars have been listed in auction returns as sold when they have not been – and at claimed prices dreamed up with the hope of persuading the market to yet higher and more unrealistic levels.

With fewer buyers around, cars coming into the market which overstretched owners have to sell are fetching much lower prices. On the other hand, some potential vendors who are not under financial pressure to sell are withholding their vehicles until conditions improve.

On both counts it means that, with the exception of some types of cars bypassed by the tide of hyper-inflation, the bonanza which the auction houses have enjoyed for the past three years is substantially over.

Still, there are small-scale speculators who have not yet latched on to the depth of the decline and are still holding out for wildly unrealistic reserves.

The overall result is that the market is returning to its roots of before the '87 boom, with the majority of cars being bought by dyed-in-the-wool vehicle enthusiasts, who are much more likely to use them on road or race track than treat them as a share portfolio on wheels.

That certainly does not mean prices slipping back to pre-87 levels, however. A Ferrari Daytona spyder sold at auction in Monaco for £120,000 in the spring of 1987, and for which £1m-plus was being asked for similar models last year, is still likely to fetch £300,000-£400,000, for example. In the UK at least, the classic car world will be looking anxiously to the two important remaining sales of the year, Brooks' next month and Sotheby's in December, for pointers to the prospects of a revival. The classic car market is all about confidence and, cautiously, the auction houses believe the cut in interest rates could be the catalyst for its slow return.

Still Brooks says: "We're bending over backwards to get sensible reserves." Next month's auction will include an Aston Martin DB3, which he expects to fetch around £900,000 – and Old Faithful, the 1962 BRM Formula One car in which Graham Hill won that year's world championship. Brooks estimates that will reach between £300,000-£500,000.

Pedigree racing cars remain one of the more buoyant areas ofthe classic car markets; prewar and vintage cars, which also were affected least by the speculators' boom, are two others. Overall, however, the classic car market appears destined to enter 1991 in very subdued mood. The speculators are unlikely to be around in numbers for a long time.

Image conscious business motorists can now lease classic cars like this AC Ace from Peter Holmes Mike Moon

Lease the classic car dream

***Stuart Marshall** on how an early Jaguar can be yours for £1,100 a month*

FANCYING yourself behind the wheel of a classic car is one thing. Buying one, perhaps having to refurbish it and then giving it the tender loving care it needs to keep it on the road is another.

Before dismissing the whole idea as impracticable, consider *leasing* something old and stylish rather than new and smart. It has just become a possibility.

Peter Holmes, of Bromley, Kent, is a self-confessed classic car nut with years of experience of rebuilding and restoring covetable cars. He has a Jaguar E-Type (grown men need their toys, he says) and is venturing into the previously unexplored field of long-term classic car leasing.

For a fairly high-flying business person with – let us be honest – a strong desire to stand apart from the crowd, leasing an old car can have considerable financial advantages.

The Inland Revenue's guidelines lay down that if a car costs less than £8,000 when new, the whole cost of leasing it is deductable. But if it costs more than £8,000, tax is payable on a sliding scale. A new Jaguar or Mercedes is only 25 per cent per annum tax-allowable up to a figure of £8,000.

Bear in mind that in 1962 a brand-new Jaguar E-Type sold for £1,300 and Holmes's bright idea comes sharply into focus. His company will lease more or less any classic car for a minimum two-year period, without any mileage restriction, providing you can meet certain conditions.

The first is putting some money up front. For example, an early Jaguar E-Type fixed head coupe could be yours to drive for two or more years in return for a £5,000 deposit and a tax deductable £1,100 per month. The lease cars will have been fully restored. In most cases – insofar as it is possible with a 25- to 30-year-old machine – it will be like new.

The deposit is returnable when the car is safely handed back at the end of the contract, during which the £1,100 monthly fee covers everything apart from petrol. "Everything" means insurance, regular servicing, repairs and AA Recovery although Holmes believes his classics are in such good condition that they should be as reliable as a modern car.

Where practicable, they have been modestly updated to bring them closer into line with current performance standards – by fitting larger brakes and more modern tyres, for example. But nothing is done to change authenticity or originality.

As well as Jaguar E-Types – hard and soft topped – he can quote immediately for leasing a 1966 Mercedes 230 coupe, Jaguar 240 Mk.II saloon, Ferrari 308GTB and an Austin-Healey 3000.

But the choice can be much wider than that. "If anyone fancies a particular car, we can almost certainly get hold of a fully restored example within 30 days. And if they have set their heart on, say, a white Ferrari or a Jaguar with orange upholstery, it's no problem – we can fix it," Holmes said. Deposit apart, there are one or two more fences to leap before a two-year lease can be signed.

There has to be a personal interview with the intending lessee, preferably in his (or even her) office. "You can," Holmes observes mysteriously, "find out more about a man's mind from the shape of his desk than from almost anything else."

Financial status has to be investigated and approved before Holmes is prepared to part with a car that is worth a lot of money now and will, if properly treated, be an appreciating asset.

Obviously, he also has to be satisfied that the person concerned has the skill and sensitivity to drive a classic car properly. "We don't want them driving an E-Type around town at a walking pace in top gear because they don't know any better," he says.

"We also lay down that they are not to be raced, by which we mean the M25 as well as Brands Hatch."

Why has no-one apparently thought of the idea of leasing classic cars to image-conscious businessmen and women as their normal transport before?

Until recently, one of the problems was their doubtful reliability in daily use. But because the classic car market grew so much in the 1980s, it is now easy to get most spare parts, at any rate for the volume-produced cars of the 1950s and 60s that are rated as collectables.

Another factor was the seemingly unstoppable bull run in classics. Cars had been selling at prices that would have been barely credible two or three years earlier. Then they went under the hammer again a few months later, finding eager buyers at even more breathtaking figures.

But within the last year sky-high interest rates have put paid to all that. Short-term investors who had bought in the overheated market and burned their fingers badly took fright.

Back to Peter Holmes. "When prices were surging, it was not possible to make the figures work. But the recession has hit many exotic car prices hard and they can now be bought for reasonable money." Reasonable enough, it seems, to make leasing financially attractive to the classic car's owner and user alike.

■ *Peter Holmes is managing director of Classic Car Leasing, Blythwood Park, Blythe Road, Bromley, Kent. Tel: 081-464-4604.*

A star is reborn

ONE OF the more whimsical sights of press day at the UK motor show was provided by the opulent Rover Group stand.

Its official "stars" were the new three-door Rover 216GTi models, making their public debut. But the biggest cluster of the curious, by a long shot, was invariably gathered around something smaller. A peek over the wall of shoulders disclosed, as suspected, a bright red Mini Cooper.

For Rover's new models to be upstaged by one rooted 30 years in the past could be seen as embarrassing. But Rover certainly does not view it that way. And with Japanese buyers, in particular, already falling over themselves to buy the relaunched Cooper, it has no need.

Rover regards itself as fortunate. Just about the first thing Sir Graham Day did on becoming chairman four years ago was scrap plans to kill off the Mini. That decision has put Rover in an enviable and unique position – of being able to exploit nostalgia and the classic car revival with a "new" car, the capital investment costs of which have long since been amortised.

Even though the latest manifestation of the Mini Cooper is more refined than the whining, howling original first launched 29 years ago, it can lay claim to genuine pedigree. In fundamentals it differs little from the rallying and racing giant killer of the 1960s.

Not least, the tiny four-seater's rebirth has coincided with renewed concern about fuel economy and a surge of new concern about the environment. With a catalyst fitted to the latest version, the Mini Cooper could be conceived as a "respectable" sports car.

Most of all, as a week spent with one just before the show confirmed, the little beast is utter, total fun. It provides a firm reminder that no other car in the world has steering as pin sharp as a Mini and that even the most sophisticated "hot hatches" have trouble matching its ability.

A 1275cc engine pushing out 60 brake horsepower is enough to take it to to more than 90mph but, more important, allow higher gearing than the standard Mini. So cruising on a motorway at 70mph or a little more no longer requires earplugs.

But the Mini Cooper is not about motorways. Its forte is back roads and enjoyment of its manoeuvrability. It is a sports car with at least a degree of practicality – four adults is a squeeze but at least possible, and you cannot do that in Mazda MX-5 or Toyota MR 2.

They might be faster. But they are no more fun. And at £6,500, you can have two Coopers, *and* change, for the price of either of the two-seaters.

J. G

BRIDGE

BOTH HANDS today are from rubber bridge – look first at Strange Development:

N
♠ 4 2
♥ A Q 10
♦ 7 6 4 3
♣ A J 10 5

W
♠ K J 10 9 8
♥
♦ K J 9
♣ K Q 8 7 2

E
♠ 7 6 5 3
♥ 7 5 3
♦ 10 5
♣ 9 6 4 3

S
♠ A Q
♥ K J 9 8 6 4 2
♦ A Q 8 2
♣

With North-South game, West dealt and bid one club, and after two passes South re-opened with two clubs. West rebid two spades, North said three clubs, an excellent bid, South bid four hearts, and North closed the auction with six hearts.

West opened with the club king. Winning with dummy's ace, South discarded his two of diamonds, and played the knave of clubs, throwing another diamond. West took, and could do no better than return another club. The 10 won, and the diamond queen was discarded from hand. Now the declarer led a diamond to his ace, crossed to the 10 of hearts, and ruffed a diamond, then crossed to the heart queen, and ruffed another diamond. Dummy's seven was now established, so declarer crossed to the ace of hearts, drawing the last trump, and the slam was made. Brilliant. Do you know any players who would have thought of setting up dummy's fourth diamond? Yet, when you see it, it seems so obvious.

Let us turn to No Time for Finesse:

N
♠ 10 7 5 3
♥ 8 6
♦ A J 7 6
♣ K J 2

W
♠ 8 2
♥ Q J 10 4 2
♦ 9 5 3
♣ 10 8 5

E
♠ 9 4
♥ K 9 3
♦ Q 10 2
♣ A Q 9 6 4

S
♠ A K Q J 6
♥ A 7 5
♦ K 8 4
♣ 7 3

With both sides vulnerable South dealt, and opened the auction with one spade, and went four spades after his partner's raise to three.

West made the obvious lead of the heart queen. Winning with his ace, South drew the trumps with ace and king, crossed to the diamond ace, returned to his king, and played a third diamond. This was won by the queen,and East led back the heart three. West took,and the 10 of clubs enabled East to defeat the contract with queen and ace.

North said, "If you had ducked the heart lead, your way would have worked."

Not wholly correct. It is essential to allow the heart queen to win. South takes the next heart, cashes ace, king of spades, and ruffs his last heart. He crosses to his diamond king, and returns a club, playing dummy's knave or king, as he pleases. East wins, and has no good answer. A diamond return gives away the whole suit, and the declarer gets home with an overtrick; a club lead sets up dummy's king (or knave) and provides a home for South's losing diamond. A very fascinating hand.

E.P.C. Cotter

CHESS

BBC2 offers a new chess concept on Friday December 7 when viewers have the chance to pit their combined skills against Britain's world semi-finalist and olympic silver medalist, grandmaster Jon Speelman. *Your move* will use computer and telephone technology to analyse thousands of calls instantly and thus fit in a complete game in the course of a single programme.

If you would like to participate, then telephone 071-207-8255 now for further details. As long ago as 1938 the BBC offered a similar consultation match using the then best available technology. A move from the BBC Chess Club was announced weekly on sound radio, and listeners sent in their replies for post.

On later occasions during the Third Programme broadcasts of the 1960s, an expert chose the best move from those suggested by viewers, thus avoiding the problem of a large majority of weaker players making an indifferent choice. The new concept shall be best of all since the whole game will be encompassed within a single programme.

Speelman was the most successful British player in last month's Watson, Farley & Williams challenge held at the law firm's new offices in Madison Avenue, New York. Final scores were Larsen (Denmark) 6½/9, Kotronias (Greece) 6, Speelman (UK) 5½, Fischbein and Frias (US) and King (UK) 5, Hodgson (UK) 3½, Mednis and Wolff (US) 3, Averbakh (USSR) 2½.

This was the fourth in the increasingly prestigious WF & W series, whose feature has been Bent Larsen's victory each time he has competed. The former world title semi-finalist, now aged 55, is a contemporary of Spassky, Tal and Fischer and one of the most original players in history.

Naturally his results have declined somewhat in recent years, and his three W F & W tournaments have been his only major successes; but in both London and New York spectators enjoyed Larsen's individual techniques such as his flank pawn advances and his skills with queen-rook endgames.

Vasilios Kotronias, Greece's first grandmaster, showed tactical flair and his achievements were widely reported in the Athens media. Watson, Farley & Williams specialise in international commercial and banking law so have offices in Athens, Oslo and Paris as well as London and New York. It would be interesting to see young British and American masters who have benefited from W F & W's opportunities so far matched against the top experts of France and Norway such as the former world champion Boris Spassky or the 23-year-old Norwegian No 1 Simen Agdestein, who is also a soccer international forward.

Speelman's most dynamic game in the $10,000 W F & W contest was his victory over Russia's Yuri Averbakh, formerly a world title candidate but now a veteran. The opening frequently occurs in tournaments or matches and can be recommended to club players who begin 1 Nf3 or 1 d4 and like combined piece attacks on an open board. As this game demonstrates, Black cannot afford inaccuracies.

White: J.S. Speelman (England).

Black: Y. Averbakh (USSR).

Queen's Gambit (W F & W, New York 1990).

1 Nf3 Nf6 2 c4 e6 3 Nc3 d5 4 d4 c5 5 cxd5 Nxd5 6 e3 Nc6 7 Bd3 Be7 8 0-0 0-0 9 Re1 Ncb4.

Black has a variety of choice here, but this is one of his weaker alternatives. The solid and popular plan is 9 ... cxd4 10 exd4 Bf6.

10 Bb1 Nf6 11 a3 Nc6 12 Ne4 cxd4 13 exd4 Bd7 14 Qd3 g6 15 Bh6 Re8 16 Ba2!

Highlighting a disadvantage of Black's ninth. White's bishop supports a central advance by d5 while Black also has to watch for a knight sacrifice at f7.

16 ... Qb6 17 Qd2 Qa5?

This and his next move leave Black's queen short of retreat squares; better 17 ... Nxe4 18 Rxe4 Bf6 to exchange pieces and keep pressure on White's d4 pawn.

18 Nc3 Rad8 19 d5!

Speelman is in his element in tactical exploitation of active positions, and his next few moves demonstrate a winning advantage.

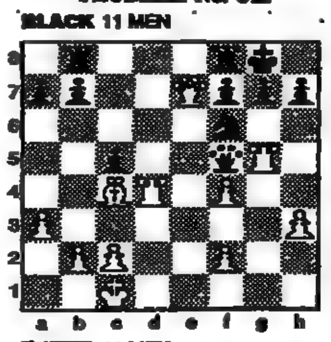
19 ... exd5 20 b4 Qc7 21 b5 Nb8 22 Rxe7! Rxe7 23 Qd4! Qb6.

Black finds that if 23 ... Ne8 24 Nxd5 Qd6 25 Nxe7+ Qxe7 26 Bg5 wins a rook, while in the game he ends up a bishop down.

24 Nxd5 Qxd4 25 Nxe7+ Kh8 26 Nxd4 Bg4 27 Be3 Rd7 28 Bf4 Resigns.

PROBLEM No. 842

BLACK 11 MEN



WHITE 11 MEN

Vaclav Havel v Bessel Kok, Prague 1990. It was an exhibition game to launch a tournament arranged as a tribute to the new Czech democracy, and the republic's president played against the chief executive of SWIFT, the international banking transmission service.

Both missed chances, but in general they played well until this diagram after President Havel's last move Rg5.

Now Bessel Kok, sponsor of the tournament, resigned. He saw that if his attacked queen retreats White plays Qxf6 when the threat Qxg7 mate leaves him no time to capture Black's d4 rook. Also 1 ... Qxg5 2 fxg5 cxd4 3 gxf6 wins a piece.

After Black conceded defeat, the watching grandmasters including Britain's Nigel Short pointed out that he could have saved the game. How?

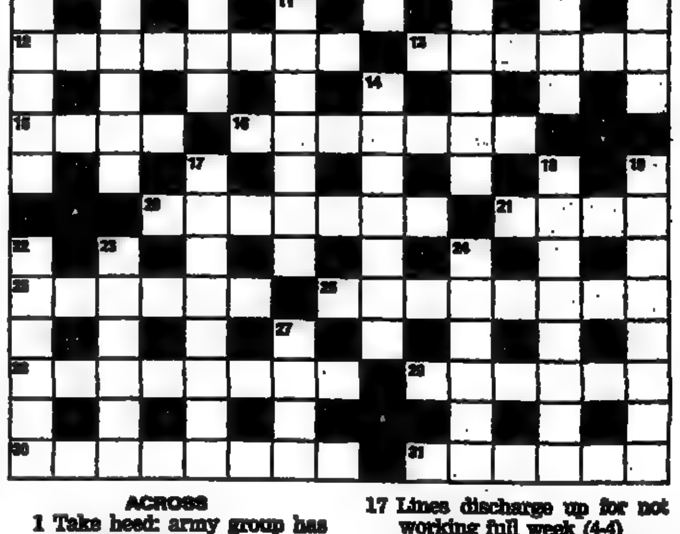
Solution Page XXI

Leonard Barden

CROSSWORD

No. 7,366 Set by HIGHLANDER

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday October 24, marked Crossword 7,366 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday October 27.



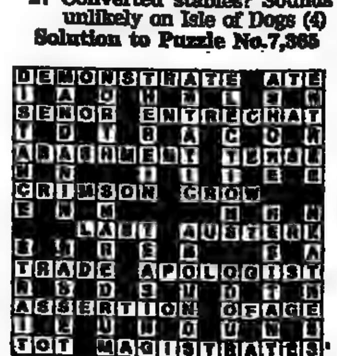
ACROSS

1 Take heed: army group has to pull back (6)
4 Agree to reduce size of catch (8)
9 One has to study for every employment (6)
10 May I say this can be the matter with the French masses? (8)
12 Cook the roast using adjustable power control (8)
13 Adjust for air (6)
15 East German with discharge (4)
16 A group working in desert (7)
20 Where one might find oneself if one goes to the pictures (7)
21 It's said of gold and aluminium (4)
25 A case for keeping quiet about passion (6)
26 Half-hearted saint has struggle getting married (8)
28 Ancient catches on and is worried greatly (8)
29 Wrecked in sludge skirting river (6)
30 Cut down when in command (8)
31 Satirical press is critical initially (6)

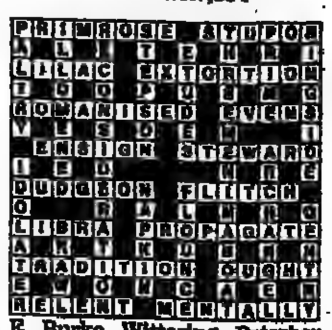
DOWN

1 Witty response about good score over one part of course (8)
2 Evergreen tree requires some form of drainage (8)
3 Weather is interrupting holiday (6)
5 Eggs left below ground for final test (4)
6 Pull cart into turning (8)
7 No one left to take strike to utmost (3-3)
8 Tried originally to involve English in rows (6)
11 Means to introduce draft statute for documentation to accompany goods (7)
14 Complain viciously at University obstruction (5-2)
17 Lines discharge up for not working full week (4-4)
18 Regrouping to race in formation (8)
19 Concerned with whether, they say, to mount Room at the Top (8)
22 Man for example lives above ground (6)
23 Bold note appears in choir arrangement (6)
24 Salesman came across upwardly mobile frame of mind (6)
27 Converted stables? Sounds unlikely on Isle of Dogs (4)

Solution to Puzzle No.7,365



Solution and winners of Puzzle No.7,354



E. Burke, Wittering, Peterborough; J. Crosbie, Duns, Berwickshire; M. Munz-Jones, St Brelade, Jersey; Dr J.D. Ogilvie, Ash, Kent; Mrs M. Panchert, Long Crendon, Bucks.

HOW TO SPEND IT

*Men's fragrances have come out of the closet and into the world of big business. **Lucia van der Post** puts seven new products to the test*

A scent of man in my lady's chamber

UNTIL QUITE recently the masculine idea of grooming seemed to involve nothing more complicated than the morning ritual of the shave, with only a few really advanced types going in for the odd dab of after-shave or deodorant.

These days in the world of the upwardly-mobile corporate man there are few worse sins than to be, well . . . non-fragrant. Your arm-pits may be bone-dry, your hair well-managed, your suits finely pressed, but non-fragrant man these days has a tough time on the jobs market.

All this, of course, has not happened just by chance. Out there, making non-fragrant man feel strangely out of step, have been the big cosmetic companies. After all, if they could grow wondrously fat by helping women to smell sweeter, how much fatter could they grow by doubling the market and doing exactly the same thing for men?

So successful have they been that even in these recessionary times it is boom, boom, boom, all the way. Male toiletries is now the fastest growing sector within the whole cosmetics market. Some 52 per cent of all men now use some form of after shave (in the 20 to 24 age group it rises to 70 per cent) and this autumn has seen a flurry of corporate activity, with something like eight new major fragrances being launched.

These days cosmetic companies no longer have to mess around with terminology – no need any longer to hide behind semi-medical or euphemistic descriptions like after shave or shaving balm. These are, quite simply, *fragrances*, designed to do nothing more nor less than make the male of the species smell a lot better.

Chanel's strong sell for its new male fragrance, L'Egoïste: "for the man out of the ordinary"

Now, there is a school of thought, mainly male, whose thinking runs like this: a gentleman has a daily (or if really necessary, twice-daily) bath, and has no need of vulgar things like fragrances to keep him nice to be near – only those with suspect hygiene have to resort to such devices. On the other hand, female thinking tends to run like this: in an ideal world, if all men raised their standards of personal hygiene, there would possibly be no need of male fragrances at all.

However, in the real world of toilers and moilers, of crowded lifts, busy offices, crushed Underground journeys, of suits too seldom cleaned, a morning bath is no longer enough. When you are crushed in a jam-packed lift you are grateful for a subtle whiff of something classy, wafting and ineffably appealing. But what women dislike above all is the cheap and obvious splash, the vulgar, aggressive smell designed to cover a host of unmentionables. Above all, we beg you, keep it subtle, discreet and expensive.

Each of the eight new fragrances on the market have clearly defined targets – no cosmetic house, given the astronomical cost of launching a fragrance, would set about it without having a finely focused man in view. Chanel alone is rumoured to have poured £1.5m into promoting L'Egoïste.

If you're raring to be fragrant, this autumn's batch is worth a keen and concentrated seminar. Harvey Nichols currently stock seven out of the eight (the odd one out is Alfred Sung) so you could, if you had the stamina, compare most of them in one spot – but be prepared to take time and to take breaks in between. I recruited a testing panel in the office, four men and one woman, and here is their assessment of what they thought of most of the new fragrances.

L'Egoïste by Chanel. 75ml, £21.

Surrounded by the biggest hype of them all, this is aimed at sophisticated Euromen, the sort who can take the Egoïste label squarely on the chin. Chanel arrived at the name because 83 per cent of women worldwide described most men's outstanding quality as being egoism. (Sorry chaps).

According to Chanel, the L'Egoïste user is: "A man out of the ordinary. More than anyone, he knows how to take risks, to go alone where others fear to tread . . . He is an aesthete – exclusive, hedonistic."

The softer approach: Calvin Klein's Eternity-wearing thirtysomething man, complete with designer baby

Everybody liked the bottle – very classy looking; everybody would have happily had it sitting on any bathroom shelf. Sadly, the actual smell wasn't much liked by our panel. Two found it too sweet, one too subtle (he's a rather droll, contrary sort of chap, who claims to like his fragrance loud and obvious), and our female tester said it was the sort of thing that when she had a runny nose her mother used to make her inhale. I was in a minority of one in actually liking it, partly charmed by the bottle, partly by the fact that it is quite subtle.

New West by Aramis. 50 ml, £21.

In direct contrast to Tuscany – which is aimed at the elegant, designer-suited, indoor and city sort of chap – this is for freer spirits, the sort whose idea of a dream holiday is sitting under a palm tree drinking pina colada. It is jeans and T-shirts, as opposed to Armani suits.

Described as a skinscent for men, it aroused strong feelings. Our droll, contrary tester found it lively: "I'm really not into subtlety. I would use it when I was tired, or flying – it would perk me up." Two others, however, didn't like it: one thought it smelled cheap, cheap, cheap; another that it looked like a gargle, something you use to cover up nasty smells.

Two testers were more positive. One thought it definitely for the guy who had put away his squash racket – he would buy it himself to wear when he put on his dinner jacket, but he did wish it had a spray rather than having to be poured straight from the bottle. Our female tester would cheerfully give it to a chap who'd never worn a fragrance in his life. She thought it restrained and light and could see a chap putting it on after he'd been to the gym and was going to meet his girlfriend. I didn't like the packaging at all but did like the smell: fresh, tangy and clean.

With it comes a whole new concept – non-gendered grooming products. In case you haven't heard of this idea, worry not: it simply means that things like Glacial Gel, Pacific Coastal Wash, Desert Sage Conditioning shampoo and a Deodorant can be used as happily by women as men. Not that most of us need to be told – all the evidence is that women happily dip into each men's shampoos, conditioners and the like while men are beginning to cotton on and do likewise with women's products.

Eternity for men by Calvin Klein. 100 ml, £31.50.

New Man, if you're out there somewhere, this is the fragrance for you. "Sensitive yet masculine, refined yet strong," say the Calvin Klein marketing boys. "He's a romantic dedicated to basic values – family, work, health, happiness. A man at ease with himself, in his relationships, and with his world." And to back it all up the advertising shows a thirtysomething man tenderly close to his child.

Our tester who "likes a bit of a pong and isn't afraid to says so (subtlety is lost on me)" found this a little understated for his pongy tastes. Another (male) tester thought it smelt medicinal, "like the stuff you put on a cotton swab before you get an injection", while the others all liked it, one saying it "smelt of abroad, of trees, and I would certainly wear it." Another found it refreshing, "the sort of thing I'd wear after a shower or after sport, but not for wearing with a dinner jacket."

Lagerfeld Photo. 60 ml, £20.

This is clearly aimed at macho, creative man – all action and hotshot charisma. Nothing nostalgic or traditional here. Anybody who chooses this sees himself as being *very* up to the minute. Few of the team liked the packaging but almost everybody liked the smell. Our awkward fellow said "that's fine, really rather nice", while others thought it "clean and masculine, smelling almost as of a good, clean wash". A couple went so far as to say they would buy it and would certainly wear it if given it.

Ricci Club by Nina Ricci. 50 ml, £18.

This is, it seems, aimed at "the uncompromising individualist" who is also "resolutely contemporary in attitude and by conviction". He also "wittily cultivates the art of being himself whilst maintaining a perfect balance between past and present, tradition and innovation." Altogether he is clearly quite a fellow (if you know this paragon I should hang on to him) for he also "savours life's more refined pleasures."

The bottle of the eau de toilette spray is a clear hexagon which doesn't quite have the class of the sturdy square Chanel or Calvin Klein bottles but the after-shave bottle is sturdier and the packaging is in a class by itself – designed by the American artist Sol Lewitt, it is truly lovely. As to the fragrance, it is quite rich and deep, with a spicy undertone. Almost universally liked by the men, several women were quite keen to use it.

Alfred Sung. 100ml spray, £35. (On sale at Selfridges and Harrods.)

Of all the fragrances launched this autumn this seems to have had the quietest debut. Alfred Sung is a Canadian fashion designer and this is his first fragrance; the sort of chap he has in mind is "determined, dynamic and self-confident." So there.

The fragrance is a rather bilious-looking purple, reminding one of our testers at first of methylated spirits, although he grew to rather like it. One tester felt he "could certainly travel in that – it would last a few hours and it has a nice, slightly old-fashioned air, rather seventies." Others felt that it was a little short on personality. In other words, it aroused no strong feelings one way or the other.

273 by Fred Hayman. 75 ml, £27.50.

Fred Hayman, scent addicts may recall, was the man who launched Giorgio and with it many a partisan point of view. Giorgio was the biggest quick success the scent world has ever known, wowing them in the aisles from San Francisco to Tokyo. So omnipresent did it become that it was banned in one or two upstage restaurants where its powerful pong was rumoured to interfere with sensitive taste-buds.

Be that as it may, the image of 273 comes trailing clouds of Beverly Hills hype, which may or may not be what you're after. After all that, though, the fragrance itself is a bit of a come-down – really quite restrained. Quite a few of our testers found that it "didn't say much to me", or . . . "no depth", or . . . "a bit of an all-purpose after shave, not sharp, not spicy, not grassy, not cloying."

Finger-clicking good

AS AUTUMN settles in and the clocks are about to change, some among you may feel the urge to embark upon a little light handwork – a colourful sweater to knit, a dress to make, a cushion or a rug to sew . . .

■ Those who love needlework and tapestry should start by buying Elizabeth Bradley's book of *Decorative Victorian Needlework*, (Ebury Press, £16.99). It is not only inspirational – all those wonderful photographs showing exactly how the finished product should look – but for the price of the book you get countless charted designs which the skilled needlewoman will be able to work from.

Many designs are available in kit form; in particular there are four new kits, A posy of violets, A wreath of roses, Patchwork pieces and Repeating roses (these can be extended almost ad infinitum), each of which sells for £45.

The book is out now and is available from most good booksellers; the kits themselves are available from Elizabeth Bradley Designs, 1 West End, Beaumaris, Anglesey, N. Wales, LL58 8BD. Tel. 0248-811055.

■ If knitting is more your line then Rowan Yarns has long earned a reputation for harnessing the design talents of some of the UK's best knitwear designers and packaging them into easily accessible kit form. This autumn Rowan is offering 35 different knitting kits, designed by such luminaries of the knit world as Kaffe Fassett (some 25 different designs of his on offer). Jamie & Jessi Seaton, Kim Hargreaves and Susan Duckworth.

Most of the designer knits are not for the beginner – they are richly intricate, with highly colourful and intricate patterns. As designer *hand*-knits are the currently fashionable partner to the slim-leg look, and as the prices they fetch in smart shops are astronomical, knitting your own (or for somebody else as a Christmas present) could give you a highly-prized sweater, coat or cardigan at a bargain price.

Kits start at £19.50 and go up to £175 for Kaffe Fassett's colourful, capacious Peruvian coat. Find the kits at all Rowan stockists, including selected John Lewis stores. Many of them, including Liberty of Regent Street, London W1, will send by mail.

Designer talents from Rowan Knits: Kim Hargreaves' roomy jacket, Hallen Flowers – team it with leggings

■ Nothing transforms the look of a chain-store number more quickly and easily than replacing the buttons. The Button Box at 44 Bedford Street, London WC2E 9HA has a wonderful selection of buttons of every sort, ranging from bright Smarties-styles to buttons so beautiful they look like jewels.

Anybody who can should visit the shop in person but it is worth knowing that for £3.50 you can order a beautiful, full-colour mail order catalogue (from PO Box 289, London WC2E 9SG) from which you can order any buttons you fancy.

■ Those who hate using needle and thread can change their buttons quite simply with a new American invention – the Click-It. Click-Its work rather like clip-on ear-rings; you simply clip the new button on to the existing one. Invented in – yes, you've guessed it – America, it has now reached our shores. There are some 200 different designs, in sets of six (four for the shirt front, two for the cuffs) and prices vary from about £9.99 to £40 for the hand-made limited edition ones. They are stocked by most leading department stores and shops.

■ Anybody who has ever searched for a necklace or some jewellery in a specific collection of colours will know how difficult it is to find exactly the piece you want. The answer could be to design and make your own. Janet Coles, who with Rober Budwig wrote the *Complete Book of Beads*, a guide to making your own jewellery, now has a full-colour marvellously comprehensive catalogue from which almost any bead imaginable can be ordered by mail. There are Venetian-style glass beads, plastic ones, pearls, wood, ceramic ones, all in every conceivable colour, shape and pattern.

The catalogue is filled with inspiring examples showing just what can be done with beads and illustrating different combinations that work. Besides the beads Janet Coles can also provide all the other things the bead-stringer requires, from thread to pliers and hooks and chains. She also runs a making-up service. The catalogue costs £2 from Janet Coles Beads, Perdiswell Cottage, Bilford Road, Worcester WR3 8QA. Tel. 0905-755888.

■ For marvellous ribbons V V Rouleaux is a new shop hoping to fill the gap that the demise of the old-fashioned haberdasher has left – and a lot more besides. Exquisite ribbons of every colour, width, fabric and texture are on sale at the shop at 201 New King's Road, London SW6.

L.v.d.P

Property

Just pure Hollywood in Oxfordshire

Chandlings — just the place for a multi-millionaire

Carrie Seagrave is left breathless by a Cotswolds farmhouse set at the point where James Bond, Dallas and the Middle East meet

DEEP IN Oxfordshire, beneath a shaggy thatched roof which makes his cottage look more organic than man-made, an elderly householder pens a note to his local estate agent, putting his home on the market for the first time since 1905.

The agents, struck dumb for once by the total absence of plumbing and the lethally rotten back staircase, the equally lethal wiring and the Victorian kitchen range, weakly suggest that the 17th century Proffitts House requires extensive restoration and modernisation.

They make equally weak puns about the property's name and potential for a far-seeing DIY-er. Astute buyers could take this potential to be underwritten by Savills' involvement: £120,000 wrecks are usually a little below their touch.

Not far off, in the same county, bored security guards watch over a former manor that would embarrass the late pianist Liberace with its outrageousness. For two years the manor has stood empty, awaiting the kiss of sheikh or pop star, leisure combine or religious sect, to bring it to life.

Two scenes of country life, both a mite removed from the polite five bedrooms and five acres that most Oxfordshire home-seekers dream of. Truly, each man's rural idyll is of his own devising.

Proffitts will doubtless go to some avid restorer who will wrest a lovely house from the dereliction. One only hopes the very real charm of the place, and its beautiful stone mullioned windows and flagstone floors, will survive the process.

As for Chandlings Manor enfolded in the gentle countryside of Bagley Wood, near Oxford, there's an indefinable Hollywood air about the place. What you find is a Cotswolds farmhouse set at the point where Dallas, James Bond and the Middle East meet. This is the house that grew . . . and grew. The original farmhouse, with its ancient beams and ox-roast fireplace, now forms little more than the baronial-sized entrance hall of a vast, sumptuous ten-reception-room home. Uninhabited, an insidious air of decay echoes the sad fortunes of Chandlings, now to be had for a (relative) song by order of the receivers.

The originator of this palace was a Lebanese businessman who suffered a reverse in his fortunes, went bust and died.

A year ago Savills were modestly pleased to have found a ready buyer, a leisure company which exchanged contracts for £5.4m. The plan was to transform Chandlings into a sybaritic health farm. But when completion day arrived in spring this year the buyer, too, went bust. The receivers are prepared to sacrifice the place for a mere £3.5m.

For this you get 60 acres and the ultimate party house. Vast reception areas, each with its own banks of squishy, shiny-velvet covered seating, open out of each other via curtained Moorish archways in the padded, silken walls.

Follow one route and you will find the built-in bar (one of several), the municipal-sized indoor swimming pool (there's an outdoor one too), and the casino (shades of deep pink and mauve, custom-made tables, built-in roulette wheel). Another course takes you through the library (grand piano, giant-screen TV, chairs in a patchwork of animal hides), the dining room (20-seater refectory table, circular servery with spit for whole sheep), and the kitchens: a rough count made it five sinks, 14 hotplates, Aga, six ovens, microwave. Many — we lost count — fridge freezers.

In a third direction lies the grandeur of the main reception room where a chandelier swings beneath a tented ceiling. At the end of a side corridor, four guest lodges surround a tranquil, rose and lavender-filled English courtyard garden. Did I mention the chapel?

But it's upstairs that tends to draw startled gasps.

It's the sheer scale of the master bedroom suite which temporarily stops the breath. The 30ft dressing room leads into an open-plan sweep of bedroom, central sitting room and bathroom which is well over 60ft across. Behind the octagonal marble bath are separate his 'n' hers shower rooms. Another door leads to a study. The other dimension of the bedroom end is 38ft. Slight hysteria sets in at the sight of yet another dressing room, and it is dubbed "the Imelda Marcos boot room." Back-of-envelope calculations makes the suite about 2,500 sq ft — or rather bigger than the average modern executive 4/5 bed house.

All this lies beneath a roof of mellow Cotswold slabs, with local stone walls to match the original.

A sweep of artificial lakes frames the foreground, and to one side lies the stableyard, the 21-car garaging, and the leisure complex. This beautifully appointed building houses the gym, squash court, billiard room, trophy gallery, rifle range and the private cinema. Behind lie the tennis courts and manège.

Chandlings would be admirably suitable as the luxurious health hydro the would-be buyers envisaged. The planners have so far proved resistant to the idea of a hotel/conference centre. Surely there must be a top sportsman or pop star who would like to use it as it was intended?

If you would rather your home was recession-proof, the best buy in rural Oxfordshire is that copybook country home, the one with five beds and five acres. Agents report a steady, come good times or bad, demand for such family-proof homes.

Stephen Perks, of Hamptons in Burford, said: "The Oxfordshire Cotswolds are always in demand for their wooded valleys and ubiquitous stone cottages, while south Oxfordshire tends to be dominated by the interest in Thames-side houses and the more traditional timber-framed cottages in the outlying villages."

North Oxfordshire is more industrialised, with areas of urban development. But the more cut-off corners up the Banbury end are drawing great comfort from the long-awaited M40 extension, now almost complete.

Once past the central commuting ring around Oxford, Abingdon and Witney, McConnel divides the county in desirability order into five areas. The most expensive is the southern toe, following the Thames down to Henley. Next comes the Cotswolds; then the lands to the south and west, where the Vale of the White Horse stretches off towards Swindon. The northern, Banbury district follows, with the Bicester plains last.

Millionaires whose tastes are more classical than Chandlings, should apply to Jackson-Stops & Staff for details of Newington House, Newington. Listed Grade II*, it was built in 1679 and has remained unaltered since it was remodelled in 1777. Offers in the region of £2.5m.

Battle of Newbury

James Gladstone tells Michael Hanson why he is selling his estate

TWO MONTHS after losing his appeal to be allowed to build a classically-inspired village of 500 houses on his Donnington Grove estate on the outskirts of Newbury, Berkshire, James Gladstone has been forced to put the 518-acre estate on the market to clear his debts.

"It has cost me £250,000 to prepare the plans for the village and to fight the appeal," he says. "That was the solution I opted for, to raise sufficient money to pay for the restoration of this beautiful house, but my money has run out."

Donnington Grove is one of the few great 18th century houses designed in the Gothic style made famous in 1747 at Strawberry Hill, Twickenham, by Horace Walpole. The architect John Chute designed Donnington Grove in 1760 for James Pettit Andrews, an antiquarian who had married the daughter of the rector of Newbury. His half-brother, Joseph Andrews, owned neighbouring Shaw House estate where a Grade I Elizabethan mansion, used for the past 40 years as a school, is now up for sale at more than £1.25m through Humberts (tel: 071-629 6700).

James Andrews chose the water meadows of the River Lambourn, beside the site of the second Battle of Newbury in 1644, for his new house, which resembles Strawberry Hill with its turrets and pinnacles, and its exquisite decorative plasterwork. The house was completed in 1770, but by 1782 ownership had passed to William Brummell, father of Beau Brummell, the dandy of Bath.

In 1945, the house was acquired by Mrs Reginald Fellowes, better known as Daisy, a society hostess, who had been judged one of the best-dressed women in the '30s, and whose husband was cousin to Sir Winston Churchill. She was responsible for all the wonderful chinoiserie decoration and furnishings throughout the house.

On her death in 1964, the Donnington Grove estate passed to her grandson, James Gladstone, who has been fighting a losing battle ever since to maintain the ten-bedroom house, which is listed Grade II* for its architectural and historic interest, but is virtually unknown, since it has never been opened to the public, although Gladstone has always been willing to show it to architectural students.

Four years ago, he considered various options for raising sufficient revenue to restore the house and endow the estate for the future, and he chose the idea of building a village on 80 acres in a valley on the estate, close to the site of the battlefield and the remains of Donnington Castle, now in the care of English Heritage.

At that time, Donnington Castle and Shaw House were royalist strongholds, but the people of Newbury supported Cromwell's Parliamentary army.

History repeated itself three centuries later when Newbury's elected representatives rejected the proposed village because it was a departure from their draft local plan (the final version of which was only published on September 20), although they have permitted local developer Trencherwood to start work next year on 1,100 homes at Dunstan Park, in return for building a relief road to Thatcham and giving some open space to the public.

Yet Upper Donnington (as the village was to be called) was not to be some vast great settlement of thousands of houses, as has been so unsuccessfully proposed by the consortium of volume housebuilders in so many parts of the south of England. Instead, it was a classically-inspired proposal designed by the increasingly influential young architect John Simpson.

His new village was to have a market square, a village hall, an inn, a common, a village shop, and houses and flats: not a model village, such as Portmeirion, but a living one.

"I imagined a place which would foster the growth of community spirit, that would welcome children and pensioners equally," said Gladstone. "I imagined a village of thrilling classical architecture, graceful buildings, friendly scale and tempting views, lying almost hidden in a wooded valley."

There was general agreement that the village would act as a model for the development of new housing and the use of redundant agricultural land in the future, and even the planning inspector agreed that "the design of the village is of exceptionally high quality, and that it would be well related to the castle, which would provide the village with a focal point and a sense of place."

He also considered that "the proposal would generate sufficient funds to enable repairs to be carried out and to maintain the property in the future," but Chris Patten, the Environment Secretary, was not convinced that present proposals were the only practicable means of securing that end.

So, on August 7, Gladstone's appeal was dismissed, causing Steven Smallman, head of Dreweatt Neate's town planning consultancy involved in the new village proposal, to comment: "I believe Chris Patten's preoccupation with local choice and development plan policies threatens to prevent a kindred spirit of Upper Donnington ever being built."

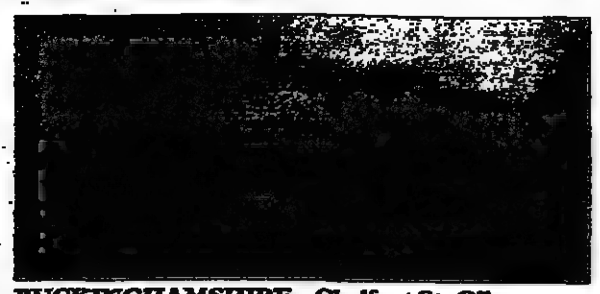
Ironically, a week before the decision on the planning appeal was announced, Patten confirmed that the route of the A34 Newbury bypass is to go through the Donnington Grove estate, slicing some 200 acres away from the house and the park. This has also influenced Gladstone's decision to sell.

"I don't want to be bitter, but it was particularly painful to have a decision in favour of the bypass and against the village within a matter of ten days," he says.

The estate has been placed on the market for sale at more than £3m through Dreweatt Neate of Newbury (tel: 0635 38393) and the London office of Lane Fox (tel: 071-499 4785).

COUNTRY PROPERTY

SAVILLS



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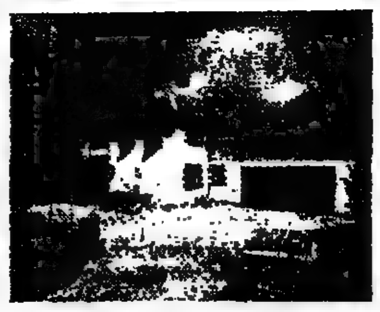

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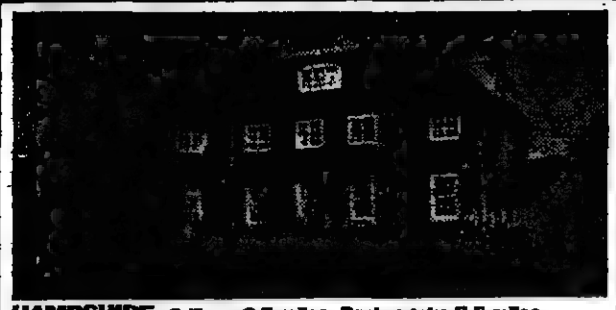

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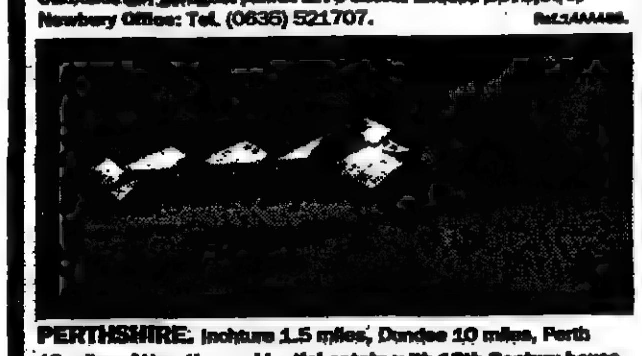

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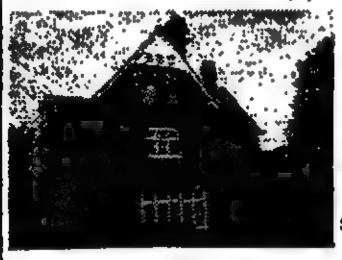

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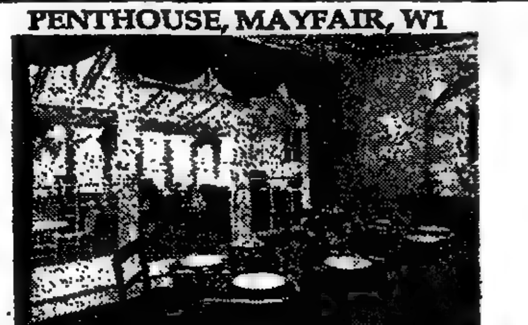

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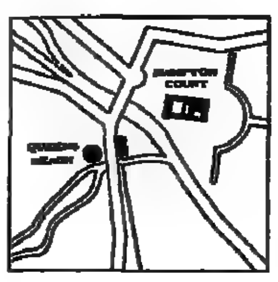

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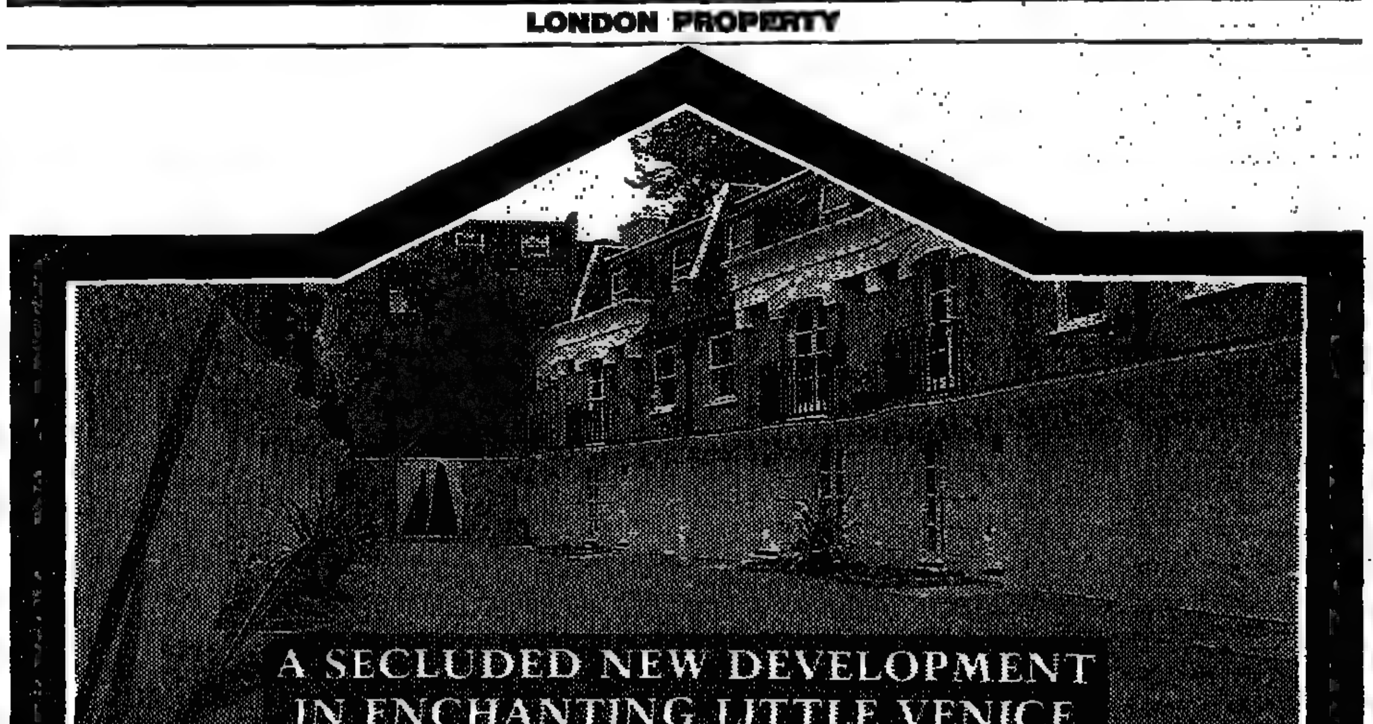

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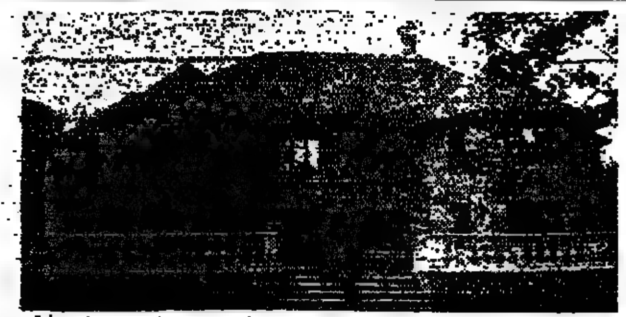

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Cruising

TRAVEL

Never mind the prices, feel the quality

*Travel Editor **Michael Thompson-Noel** rubs shoulders with the rich*

I MUST say this is brilliant. I am sitting on a sofa, watching Gibraltar flash past the picture window away to my left, or rather to port, for we are about to put to sea. I am sitting in my suite, which runs to 277 square feet of intimate luxury. The suite has armchairs. Also a coffee table; also a bar, a fridge and private safe. There is a telephone, of course, and a TV set and video. The closet is walk-in and the bath made of marble. The bed is queensize, as plump as a widow.

How exceedingly convivial. Thank God I am not paying for it.

When I joined the good ship *Seabourn Pride* in Lisbon for a few days' cruising in the Med, I was scrupulous in informing those of my fellow passengers who inquired that I was a reporter from Grubb Street, *not* a paying passenger, and that the experience I was enjoying aboard the *Pride* was not one I was capable of affording in my private capacity.

Most of the passengers were rich Americans. I like rich Americans. Of the 96 passengers on my cruise, 58 hailed from California and 14 from Texas or Arizona. They enjoyed their little talks with me. "Gee, Mike," said one, when I revealed to him my status, "you're on a *freebie*. An honest-to-goodness freebie. Free food and drink. Free this'n'that. What a lucky dog."

Another evening, I was chatting to a woman who had spent the previous few months travelling wherever her fancy took her: trains, planes, boats; the very best hotels. I asked: "Are you planning to visit eastern Europe?" "No way," she said. "Not until they clean it up."

Norwegian-owned and -crewed, the *Seabourn Pride* (length: 439ft; weight: 10,000 tonnes) made her maiden cruise in December 1988, and is positioned at the very top of the market. There is now a sister ship, the *Seabourn Spirit*. Each carries 212 passengers, whereas comparably-sized ships, says Seabourn Cruise Line, based in San Francisco, carry closer to 400.

Thus each room is a suite; the amenities are first-rate; the European staff – young, groomed, personable – is ably directed by hotel manager Alex Bonfanti; the food is exceptional – virtually everything, including fruit, vegetables and lobster, is flown to the ship from the US, so that quality can be assured; guests dine when and with whom they please; and there is plenty of fun and games, including steam rooms, saunas, gym and masseuses.

All of which costs money. If you are feeling poor this month, do not read further, because the sums I am about to unveil are definitely on the plump side. The cruise that I joined was a 14-day voyage starting and finishing in Lisbon, with stops at Gibraltar, Collioure (France), Porto Cervo (Sardinia), Menorca, Valencia, Malaga and Seville. I left the ship at Porto Cervo.

The basic charge for a "Seabourn" suite on this cruise was $8,990 per person (double occupancy), with larger "Regal" suites available at $10,600 and $12,700 per person (also double occupancy). As for singles, the fare for exclusive occupancy of Seabourn suites is 150 per cent of the per person/double occupancy rate, and for Regal suites – 200 per cent.

In short, for couples, this particular cruise cost from $642 to $907 per head per day, although within that price they were welcome to eat and drink themselves silly if that was their wish. The fares include gratuities but do not include travel to and from the port(s) of embarkation/disembarkation, laundry, shore excursions, etc. Some suites have accommodation for a third person, for whom the fare is 50 per cent of the normal tariff.

Between them, the *Pride* and the *Spirit* sail a full programme of cruises in the Med, northern Europe, New England and Canada, the Caribbean, Mexico and South America, including the Amazon. For example, at the end of this year the *Seabourn Pride* is sailing a 22-day Christmas/New Year cruise (December 17-January 8 1991) between Fort Lauderdale and Buenos Aires with stops that include Ponce (Puerto Rico), Basseterre (St Kitts), Devil's Island (French Guiana) and Fortaleza (Brazil). Cost: $14,400 to $20,450 per head (double occupancy), or $655 to $930 per head per day. Serious bread.

Do the rich get their money's worth? It seems that they do. One day at lunch I heard a couple bickering about some unhappiness or other which appeared to be related to the position of their suite. But the couples I spoke to seemed satisfied and jolly.

"It is difficult," I told them, "for me to formulate a coherent view about value for money on this cruise, because I don't have $13,485 (the cost of a single ticket), let alone $17,980 (myself plus a hanger-on), lying around the house. If I was paying," I said, "I wouldn't be here with you. So how do you see it? Are you pleased with the ship, staff, food, service, weather and ports of call?"

Invariably, they said yes. The rich like quiet and seclusion; things that work; service that is unobtrusive yet instantly to hand; young Italian waiters; immaculately fresh lobster; a steady trickle of information that subsequently proves to have been accurate; croupiers that know their station, whether the bank is winning or not; instant telephonic access to any place in the world, and so on. So far as I could see, all of these needs were catered to.

In addition, the shore excursions were tasteful and well-run. After Gibraltar, the *Pride* had been due to visit Algiers. But a message was left in our suites: "We recently learned that Algiers has adopted May 1 as their 'Freedom Day' and that extensive 'Freedom Day' demonstrations are expected... In the interests of the safety of guests and the ship, we have therefore found it prudent to eliminate Algiers as a port of call."

Apart from money, you need some decent clothes for a cruise like this, although I managed to pass muster without bothering with a tux. Each day we were informed about the dress code for that evening.

Formal is defined as: "Tuxedo (alternatively a dark business suit) for men. Evening gown or other appropriate formal attire for women." Informal: "Jacket and tie for men. Cocktail dress, dressy pant suit, or the like for women."

"Thankyou," said the daily programme, "for observing these guidelines and for assisting all of us in maintaining (our) elegant standard."

■ Seabourn Cruise Line is headquartered at 55 Francisco St, San Francisco, CA 94133. In London: 9 Hanover St, W1R 9HF, tel: 071-629-1336.

A free and frozen land

***Angela Wigglesworth** visits the coldest place on earth during a cruise which covers 5,000 miles in 26 days*

EARLY THIS year I sailed into a magic land of giant icebergs and glaciers that plunged to the sea between dark mountains. Seals lay on drifting ice floes, dolphins porpoised around us, penguins in their thousands stood on the beaches and whales left "footprints" on the water behind them.

This was Antarctica, the coldest place on earth, a continent the size of Australia and Europe put together that is almost entirely covered by ice and snow, with the South Pole at its centre. No country owns it, there are no permanent inhabitants, but since 1961, when 39 countries signed the Antarctic Treaty, scientists have worked harmoniously together in Antarctica in the interests of research.

Our cruise, covering just under 5,000 miles in 26 days, took us from Punta Arenas, in Chile, to the Falkland Islands, south east to South Georgia, down to the Antarctic peninsular and back via Drake's Passage and the Chilean fiords. The ship, *World Discoverer*, had an ice-strengthened hull and comfortable facilities for its 122 passengers: two lounges, restaurant, fitness centre, sauna and solarium, boutique, library and cinema/lecture room.

It also had a fleet of Zodiacs (inflatable rubber dinghies) that enabled us to land on beaches where possibly no-one had been before. The only creatures watching us come ashore were penguins, slumbering elephant seals and aggressive fur seals that it was best to avoid.

We got our first sight of some of these on two of the Falklands' 250 islands. Excluding the 2,000 military based at Mt. Pleasant 35 miles from Port Stanley, the capital, just 1,900 people live here, including 1,100 in Stanley itself. We spent a morning seeing its brightly-roofed houses and gardens full of flowers, its cathedral, two hotels, a few shops and three pubs.

It took two days to sail through the rough Scotia Sea to South Georgia on the fringe of the Antarctic but there was much to take our minds off feeling queasy, like 18ft-long pilot whales that were suddenly swimming around us and giant petrels flying overhead. They say you never forget the sight of your first iceberg, and here it was, a great flat-topped chunk streaked with blue in a pool of turquoise water, the first in a field of more than 100 'bergs, with one at least nine miles long.

We spent three days exploring the dramatic and beautiful island of South Georgia. It has fiords and glaciers, green hills and permanently snow-capped 10,000ft mountains that are part of the Andean ridge stretching under water from South America to the Antarctic peninsula.

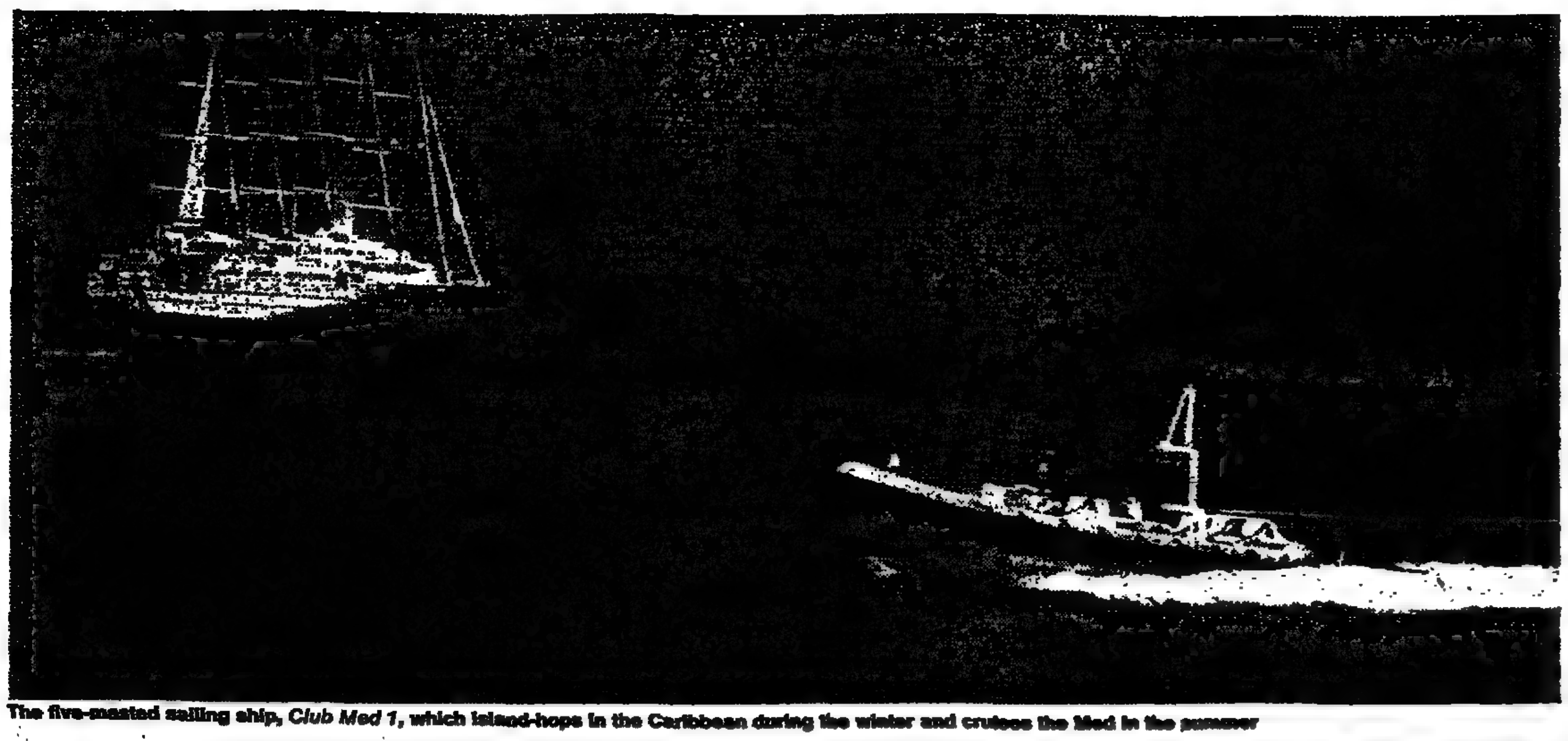
It was Captain Cook's report in 1775 on the number of seals and whales he had seen in South Georgia that brought hunters from Europe and the US here, and it was not until just under two centuries later, in 1964, that the slaughter of whales was finally stopped – except by the Japanese, who continue to kill for "scientific purposes."

Today, 300,000 elephant seals slumber on beaches in South Georgia, and 80,000 king penguins with glowing gold-

■ Continued on next page

Sun, sea . . . and ice. Passengers wrap up warmly for a spot of sunbathing under a blue Antarctic sky

TRAVEL



The five-masted sailing ship, *Club Med 1*, which island-hops in the Caribbean during the winter and cruises the Med in the summer

Sub-aqua nuptials and a go-go gran

Club Med is not all grass huts and teenyboppers, as Sara Webb discovers

I TURNED on the closed circuit television in my cabin and one of the passengers floated into view. A wedding dress billowed out under her sub-aqua kit and a fish nuzzled around the bottle of champagne which she was trying to open underwater. Bride, groom and priest bobbed gently around the screen. They appeared to have problems imbibing through their mouthpieces.

Not to be upstaged by the sub-aqua nuptials, another couple held their wedding on the ship, a more conventional affair – except that few of the 400 or so guests on board had clapped eyes on the bride and groom before, most could not remember their names and all were taken aback to be included in the matrimonial proceedings.

Mention Club Med and most people think of holidays for young, glamorous, fun-loving singles who sleep in grass huts and spend their time sunning, swimming, snorkelling and indulging in sports of one kind or another. But Club Med has changed its style since it set up its first tent village in the Balearic islands 40 years ago. Last February it launched a luxury five-masted sailing ship, *Club Med 1*, which island-hops in the Caribbean during the spring and cruises the Med in the summer.

Young? Club Med says the average age is 39, but this is a sensitive subject. "I'm surprised how many old people there are," complained one Belgian, who might have been in her late 40's. Perhaps some people are economical with the truth when it comes to stating their age. Perhaps cruises attract an older clientele despite Club Med's youthful, sporty image. Perhaps if you spend your life frazzling your skin you just look older. However, it came as a surprise to see someone old enough to be my grandmother flashdancing her way across the floor to the sound of a calypso band, performing leg-kicks and rolling on her back. The band played on. The younger dancers looked mildly put out.

Most of the Club Med glamour emanates from the staff, a form of superhuman known as *gentils organisateurs*, or GOs for short. There must be a Club Med charm school somewhere in the south of France where these creatures are taught to master sports and acquire a permanent tan. They are perfectly formed without an ounce of surplus flesh. They stand by the buffets, symbols of restraint, while the passengers overload their plates and make a mental note to go easy at the next meal.

Apparently tireless, the GOs get up at dawn to prepare for the day's excursions, spend the day excelling in the various sports and performing after-dinner cabarets. The latter were dreadful unless you enjoy clapping in unison while two dozen amateurs perform drag acts or dance the cancan in plumage and gold lurex hot-pants. The guests loved it – apart from a Canadian lawyer who said she thought the cruise "lacked culture." Do people go on Caribbean cruises expecting much culture? *Really?*

What made my cruise relaxing was that everything was arranged for me. You do not have to think about organising transport, meals or excursions. The sports facilities on *Club Med 1* are free – sailing, windsurfing, waterskiing, subaqua, snorkelling – and some of the white sandy beaches, for example in St Barthelemy and St Thomas, extremely beautiful.

However, the most popular activity seemed to be duty-free shopping. Several of the islands in the Caribbean flaunt their duty-free status. Indeed, there is not much to Philipsburg, St Martin, apart from two one-way streets each lined with duty-free shops, and each choked with cars.

The subject of duty-free is one which divided the Europeans from the Americans: the Americans use a Caribbean cruise as a limousine service for travelling from one duty-free island to the next. At each stop – St Martin, St Thomas, Virgin Gorda – they scrambled ashore and headed for the "Gucci" and "Cartier" signs, returning to the ship laden with gold, video cameras and after-shave.

The Europeans were disdainful. They wanted to hone their suntans on the beach or on deck where, much to the upset of the Americans, the women sunbathed topless. For the Americans this was a cultural shock: one shook his head over the lunch buffet and confessed that he preferred to see his women "neatly packaged." Others simply feasted their eyes while pretending to gaze at the horizon.

For those Club Med habitues accustomed to grass huts on Greek islands without TVs, telephones, or even the need for local currency or a lock on the door, *Club Med 1* is a complete contrast. It is a luxury sailing boat which turns heads in dock and looks elegant under sail. You expect to see hundreds of sailors scampering over the deck pulling on ropes and adjusting the tautness of the sails. Instead, it is all computer-controlled: the sails unfurl silently at the touch of an invisible button. It looks stunning.

The boat usually sails from evening until the following morning; as it has a shallow berth it can anchor close to land, making it easy to get ashore. The cabins are clean (every grain of sand which drops from your body seems to be vacuumed up within minutes), simple in design but spacious, with plenty of storage room. All of the cabins except four have a view, but for those on the lowest deck it may be a plankton's eye glimpse of the waves slooshing over the porthole in rougher seas. And there are enough decks and corridors to give the impression that there are few other people on board most of the time.

There are TV sets so that you can watch cable films or tune into the Club Med news channel which will tell you a) which island you have arrived at, b) what sporting and eating activities are planned that day, and c) what you need to wear for dinner (theme nights included casual, smart, and black-and-white, although fortunately no one took these very seriously).

For today's young professionals who feel lost without that umbilical cord, the telephone line, *Club Med 1* provides satellite links at $40 a minute. Club Med has a policy of avoiding the use of cash in the company's holiday centres.

As for fun-loving singles, Club Med says half of its holidaymakers come as couples or families. The cruise liner, however, is a child-free zone.

In a hotel, the night-time behaviour of singles can easily go undetected. On board a cruise ship, even the most discreet come under the spotlight. A gentleman in his 80s, determined to enjoy life on board, had brought a younger escort from an agency. Others made provisions on board. A striking redhead eagerly pursued crew, staff and other husbands, one of whom was later heard to complain: "My god, she trapped me for 10 minutes in the lift by blocking the doors, she just wouldn't let me go." However, as one young banker on board observed, in the Aids age conspicuous cruising may be a thing of the past.

■ Club Med is building a second (and similar) cruise ship, Club Med II, which will be launched in July 1991. It will be based at Noumea, New Caledonia, and will sail around the Pacific.

Further details of Club Med cruises are available from: Club Med, 106/110 Brompton Road, London SW3 1JJ. Tel: 071-225-1066.

CRUISE BUSINESS

Why demand is buoyant

CRUISE OPERATORS are optimistic that next year will see record numbers take a cruising holiday, in spite of uncertainties in the Gulf. Their optimism reflects *exceptionally* buoyant demand for cruise holidays this year, at a time when the mass-market package sector has been hit by the slow-down in consumer spending.

However, there is no doubt that the edge has been taken off the cruise market by events in the Gulf. "The situation out there is causing some concern, but the position is not bad as yet," says David Dingle, commercial director of P & O Cruises.

A number of cruise companies are rescheduling their itineraries away from Egypt, Israel and other eastern Med destinations. Swan Hellenic, for example, has already cancelled two Red Sea cruises that include the port of Aqaba.

Morever, the rising oil price is putting additional pressure on operators to levy surcharges. So far, most appear reluctant to do so for fear of harming demand. Fuel costs account for only about 4 per cent of the price of a typical cruise holiday. Carnival, the world's largest cruise operator, has said it would take an "extraordinary" increase in fuel prices to persuade it to levy surcharges.

But the Florida-based Dolphin cruise line has become the first of the Caribbean operators to levy surcharges: from the beginning of this month prices rose by $30 per person for seven-night packages.

The popularity of cruising this year has seen the UK market grow by an estimated 20 per cent to reach some 190,000 passengers – an effective doubling in five years.

Such growth is all the more impressive given the moribund state of the cruise industry a decade ago. Cruising then was seen as an expensive type of holiday, favoured only by the elderly and retired who could afford to follow the sun.

All that has changed in the last five years. The resurgence of cruise holidays started in the US when young families and singles discovered that a cruise – especially on the love boats out of Miami – provided value-for-money holidays with a difference.

In Britain, renewed interest in cruising took longer to establish, but its growing popularity was helped by the emergence of the Baby Boomers, looking for different types of holiday and able to afford to pay more than the price of an average land-based package deal.

"There is a broader range of destinations that can be covered from a cruise ship than on an ordinary package holiday," says Dingle.

The all-inclusive nature of cruises – meals are included: sometimes everything is included – also appeals to families. "They represent real value even at an average price of about £1,000 per person," says Peter Rothwell, marketing director for Lunn Poly, which says that bookings for next year are running at about double the level of a year ago, despite the Gulf crisis.

What really gave the market a boost, however, was the development of the fly-cruise concept. By flying to ports in the Mediterranean, Florida and the Caribbean, British holidaymakers could enjoy the sun from almost the start of their vacation.

The growth of fly-cruise holidays has especially benefited the Caribbean. Some 60,000 Britons joined Caribbean cruises this year, 30 per cent more than last year – a trebling of the market over the past five years.

But the surge in the Caribbean's popularity has seen new operators and ships produce a big increase in capacity. Inevitably this has led to price-discounting to attract first-time cruisers and bolster occupancy. Norwegian Cruise Lines is said by travel agents to be leading the way with price promotions through its Pricecutter programme. Other Miami-based operators are so far resisting the temptation to compete on price, believing that this will cheapen cruising's image.

Although the Caribbean has dominated the long-haul cruise market in recent years, experienced cruise passengers are increasingly interested in other, more exotic destinations. Princess Cruises, for example, is adding on Rio and the Amazon, plus Hawaii-South Pacific, combinations next year. It forecasts a growth of 20 per cent in cruises outside the Med and Caribbean next year.

Exotic holidays also have a greater appeal to younger travellers. While the age of the average Royal Viking Line passenger, for example, is 58, travellers on the company's Jewel of The Orient cruises are typically in their 40's.

Royal Viking plans to restore China to its cruise itinerary next autumn, having cut it from its schedules last year. Rival Ocean Cruise Line has already returned to China this autumn, and next year plans to offer cruises to the Falkland Islands and Antarctica. Fares for these South Atlantic destinations start at £2,695 – lower than those generally offered by more specialist operators in a bid by OCL to attract a new market.

Society Expeditions' cruises to Antarctica, for example, start from just over £5,000 per person, but include more specialist advice and guest speakers than on larger ships. These specialist cruises are sold by Abercrombie & Kent, the up-market travel company. "We are finding that more of our customers want to go to places that can only be reached by boat and not plane," says Primrose Stobbs, an A&K director. New this year, for example, is a cruise up the Yangzi on board MS Bashan.

Round-the-world cruises lasting 90 days or more are also selling faster than last year at prices starting at just under £5,000 for Canberra, but almost £16,000 on Royal Viking Line's world cruise. CTC Lines, Costa Line, and Cunard's QE2 make up the small band of cruise operators that offer a round-the-world trip.

Perhaps the biggest surprise for these operators is the fact that many first-time travellers are so ready to commit themselves to a three-month voyage. About a quarter of the Canberra passengers who set sail from Southampton in January had never cruised before.

David Churchill

■ From previous page

stained chests were waiting as we made our first landing. "Do we frighten them?" we asked Peter Harrison, a world authority on sea birds and one of the guest lecturers on board.

"No," he said, "they just think you're another penguin, specially if you're wearing yellow. It's a great turn-on colour for them."

We clambered up through the tall tussock grass and found albatrosses with 13ft 3ins wing spans that can fly for five years without coming in to land and in 600 miles will flap their wings fewer times than a sparrow crossing a city street; we bounced in Zodiacs on a choppy sea under the great Fortuna glacier and alongside waterfalls trickling down green and yellow lichen-covered cliffs; we waded through a glacial river to a milky-blue lake where king penguins stood uncertainly on chunks of floating ice.

The former whaling stations at Grytviken and Stromness are now ghost towns with derelict buildings, rusting iron pipes, sheets of metal and propellers littering the shore. At Stromness, reindeer were merging into the hills that Sir Ernest Shackleton had struggled over at the end of his epic journey to get help after his ship had been crushed in ice on the Weddell Sea. He died in 1922 and is buried here in the hillside cemetery. Here, too, is the grave of an Argentinian soldier killed in the Falklands war – it was the taking of South Georgia that started the conflict. Across the bay is the British army base where soldiers come for four-month stints.

Ten days after leaving Chile we crossed into Antarctic waters and reached Signy Island in the South Orkneys, which in winter are joined to the Antarctic peninsula 450 miles away by a sheet of solid ice. Scientists from one of British Antarctic Survey's five bases told us about their work here and accompanied us in a flurry of snow over strongly smelling guano-covered rocks strewn with dead penguin chicks. Their deaths were due primarily to natural causes.

One evening we landed on Elephant Island – another Shackleton landmark, for his men had waited rescue here for 110 days. In the dusk and the wind, with *Discoverer* lit up in the bay, we watched penguins and fur seals skimming in on the waves, the mountains looming darkly around us. In the Antarctic Sound we cruised in dinghies among incandescent blue and white sculpted ice floes that rocked gently like mythical galleons on a slate grey sea while in the South Shetlands we were offered breakfast at the friendly Polish research station.

At Deception Island we anchored inside a sea-filled volcanic crater and some of us, taking leave of our senses, went for a dip in the thermal springs. The icy gale force winds made it almost impossible to get clothes on afterwards, and one had the feeling that frostbite was not far off.

Our only stop on the Antarctic peninsula was at a Chilean research station abandoned in 1984 – rather quickly it seemed, for a tinselled Christmas tree was still on the table and the cupboards full of tinned food. Outside, penguins were feeding regurgitated fish from their own mouths straight into their chicks', and the snow on the mountains was flushed pink with algae.

At 65° South, in the Lemaire Channel, passengers, blankets over knees, sunbathed on deck as we sailed between icebergs, snow-covered islands and stark fingers of black rock pointing 3,000ft into a brilliant blue sky. Humpback and minke whales surged out of the water, arched and sank back, spreading their tails like fans. "I'm suspicious of anyone who doesn't get a little race in his heart when he sees a whale breach (jump) in front of him," said Steve Leatherwood, one of the lecturers who has swum with whales and dolphins and written best-selling books about both.

The Drake Passage was calm enough for us to land at Cape Horn, and in the evening twilight we climbed the cliff path to a weather station and a tiny chapel made of tree trunks, to stand at the most southerly point of the Americas. This patch of land, an island 10 miles long, was for many years claimed by Chile and Argentina but in the late 1970's they agreed to ask Queen Elizabeth II to decide the rightful owners. When she chose Chile, Argentine objected and brought in the Pope, who came to the same conclusion, so that settled it.

> *'The former whaling stations at Grytviken and Stromness are now ghost towns with derelict buildings, and rusting metal littering the shore'*

Cruising up the Chilean fiords for the last four days, visiting an old fishing village and a busy port, was a return to a world of relative warmth and colour, with green flat-topped trees and red and pink flowering shrubs on the shoreline. Bird-watchers were in their element, though as Steve Madge, leader of a group from Birdquest, a company specialising in bird-watching holidays, said, this had been much more than a birding trip.

"In one morning we saw not only all three of the world's largest flying birds (wandering and royal albatrosses and an Andean condor) but the largest creature to live on our planet, a blue whale. To be a bird-watcher here has been special indeed."

The days were filled with lectures and landings, superb meals and, in the evenings, films or drinks in the bar. *Discoverer's* friendly and informal captain made passengers welcome on the bridge and would stop the ship when whales or dolphins jumped in glittery curves around us.

It wasn't a cruise in the conventional sense, more an expedition taken in comfort to the most remote and untouched corner of the world. We learnt much from the lecturers on board about the wildlife and the environment, and of a new threat to both from large-scale tourism when later this year ships carrying as many as 450 passengers will be going down to the Antarctic for the first time, a cause for concern among scientists and naturalists.

World Discoverer and its sister ship *Society Explorer* are run by Society Expeditions, a German-owned, Seattle- and London-based company that has been taking passengers (maximum 140 at a time) to the Antarctic since 1974. "Tourism at the moment has got an absolutely clean record," said Peter Harrison. "In fact, tourists make less impact on wildlife than scientists do. But if you put 450 people on a beach with a small colony of penguins, it would be impossible to control them (the people) and it will certainly impair the penguins' breeding success and make them start to shift rookeries."

"Greenpeace say the Antarctic should be totally banned to tourists," said the captain of the *Discoverer*. "But I think that's the wrong policy. We're not destroying the environment when we come in small numbers to watch penguins and whales, and we leave nothing behind but our footprints. Tourism should be encouraged but controlled."

■ Information about Antarctic cruises can be obtained from Society Expeditions, Albany House, 324/326 Regent Street, London W1R 5AA. Prices range upwards from £4,870 for 16 days with stops in New Zealand, Australia and the Antarctic. Flights to South America (included in the price) are with Varig Brazilian Airlines. This year's four-month programme, starting next month, has been a sell-out, so it makes sense to plan a good way in advance. Information about Birdquest from Two Jays, Kemple End, Birdy Brow, Stonyhurst, Lancashire BB6 9QY.

Food for Thought

Down in the forest a mushroom stirred

FROM BEING a nation of toadstool kickers, the English are at last poised to become the last European people, with the possible exception of the Irish, to take stock of the vast culinary resources bound up in their woods and copses in the form of wild mushrooms. That this should happen, however, belatedly, has been to a large degree the work of Roger Phillips, the author of *Mushrooms and other Fungi of Great Britain and Europe* (Pan Books £11.99, new ed. 1983) and, more recently, *Wild Food* (Pan £12.99).

At the beginning of this month I was invited to the Chewton Glen Hotel in the New Forest (Tel: 0425-275341) to meet Roger Phillips and his wife, Nikky, before accompanying them on a mushroom hunt the next day. It was no accident that the event should have taken place at Chewton as a visit to Pierre Chevillard's kitchen after dinner showed: Chevillard is one of England's greatest wild mushroom fanatics and he is happy to inspect the finds of amateur hunters who scour the forest for ceps, girolles, horn of plenty and oyster mushrooms, not to mention the unique strain of bolete which grows in the New Forest and nowhere else.

Roger Phillips started out as a painter, studying at Chelsea in the 1950s. After a career in advertising he took up botanical photography which, in turn, led him to fungi. His success has been phenomenal: *Mushrooms and other Fungi* has sold more than 100,000 copies in Britain and many more in France.

On a Saturday morning we assembled in the hotel breakfast room, an assortment of 56 keen local mushroom enthusiasts and a smattering of local restaurateurs anxious to profit from Phillips' wisdom while they had the chance. Before we boarded the coach, Roger showed some of his previous day's finds by way of encouragement. The season had not quite opened and even he was uncertain as to the game's quality.

As soon as we reached the appointed clearing I went off by myself. Under the deciduous trees I found little of consequence: one or two russulas, a clump of highly venomous looking toadstools and a handful of puff balls.

I thought my luck had changed when I quit the oak and birch trees for the conifers. Here I saw a whole sea of girolles hidden among the bracken. I joyfully followed the trail adding to the small fortune I had gathered in my bag. It led me to a clump of saffron milk caps and, finally, to my moment of glory; a solitary cep, but with a head on it the size of an old-fashioned soup bowl. It was a little old, I thought, but age in no way impaired its majesty. It joined the girolles in the bag.

After three hours hunting I wandered back to the coach. Roger was giving an *ex tempore* lecture with the help of the morning's finds. As I approached he held up a mushroom called, for all too obvious reasons, phallus impudicus. All sorts of fungi were pressed into his hands until it began rain. We returned to the hotel and laid our finds in the conservatory.

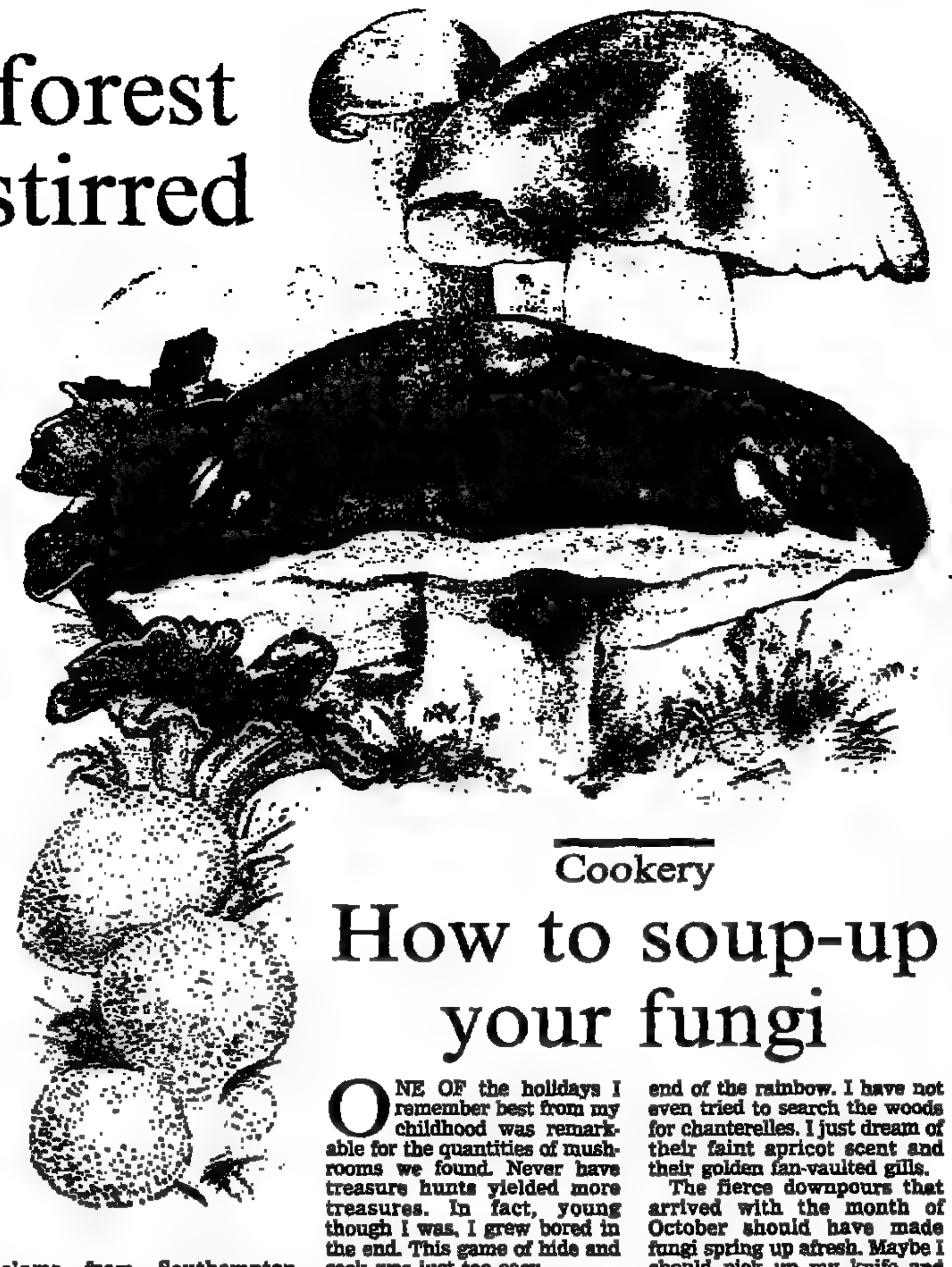
I was the last to receive the master's wisdom. Roger quickly dashed my hopes over the girolles: they were of the relatively harmless false variety. My cep, however, was a cep, my saffron milk caps, milk caps. When the inspection was over we settled down to lunch, prepared by Chevillard and made from the mushrooms I had seen the night before.

I spent the afternoon at the house of a colleague on the Solent dealing with my mushrooms. I trimmed, cooked and bottled the boletus. I tidied up the milk caps and puff balls and put them with a hunk of cauliflower fungus which the colleague had given me.

That evening I went to another New Forest establishment which makes full use of local ingredients – Le Poussin in Brockenhurst (Tel: 0590-23063). It is run by Alex and Caroline Aitken, passionate mushroom hunters who match them with local game (venison), shell fish (including clams from Southampton Water) and fish landed in local ports. A meal of red mullet with saffron milk caps, very high teal with ceps, and wild rabbit, showed just what quality could be achieved by restaurateurs who exercise the optimum care in their choice of raw materials.

I cannot end a piece on mushrooms, however, without a word of warning: buy a reliable guide and *never* eat anything which you cannot identify.

Giles MacDonogh



Cookery

How to soup-up your fungi

ONE OF the holidays I remember best from my childhood was remarkable for the quantities of mushrooms we found. Never have treasure hunts yielded more treasures. In fact, young though I was, I grew bored in the end. This game of hide and seek was just too easy.

No such complaints have been heard from fungi hunters this autumn in the drought-ridden south. There are pastures and fields near my house where in years gone by puffballs have caught the eye like drifts of white balloons escaped from a children's party.

This arid September has produced only the occasional token sighting of puffballs no larger than ping-pong balls and as dry as dust inside, while field and horse mushrooms have seemed as scarce as the crock of gold that lies at the end of the rainbow. I have not even tried to search the woods for chanterelles. I just dream of their faint apricot scent and their golden fan-vaulted gills.

The fierce downpours that arrived with the month of October should have made fungi spring up afresh. Maybe I should pick up my knife and basket and go out hunting for them once again. In the meantime I have satisfied my craving for a seasonal taste of mushrooms by buying the reliably cropping cultivated sorts from the greengrocer.

For a recent menu I followed the soup with grouse roasted with a few rowanberries inside them, served on toasts spread with their fried and crushed livers, and with game chips and watercress. Bowls of fresh pears and wet walnuts completed the autumnal meal.

It is an easy soup to make, good and warming on a nippy evening, and I think it improves the day after making when the flavours have ripened a little. I dare say it would taste better if field or horse mushrooms were used but so far I have only made it with cultivated marrons mushrooms (also called chestnut mushrooms).

Marrons mushrooms are both richer in colour and a bit more expensive than ordinary cultivated (white) mushrooms. Is the taste a little more intense, or is it the concentrating effects of the cooking method I have used, or is it simply my imagination, I wonder? Whatever the truth may be, if I shut my eyes when I drink the soup I can delude myself that it is made with mushrooms picked from the wild.

RICH MUSHROOM SOUP
(serves 6 to 7)

1lb mushrooms; 8 fl oz white wine; 1½ to 2 pt stock; a little unsalted butter; ½ pt double cream.

Boil the wine until reduced to a few sticky spoonfuls. Add 8 fl oz of the stock and reduce the mixture to just a few spoonfuls. Stir in the cream, simmer for a couple of minutes until the ingredients are smoothly blended and season generously.

While the liquids bubble away, prepare the mushrooms. Cube and fry them briskly in a large, very hot sauté pan barely filmed with butter. Cook them (in two batches is best) for about five minutes until reduced in bulk and concentrated in flavour.

Process the mushrooms and the hot cream to a not-too-fine, black speckled puree. Then "wash out" the processor bowl with another 1 pt or so of the stock.

Stir this stock into the puree and reheat. Season the soup to taste and thin it with some or all of the remaining stock. . .

Philippa Davenport

Foie gras and Pontypool

Nicholas Lander meets a shy and talented Welsh chef with a keen commercial eye

WHAT DO the directors of Isosceles, Premier Foods and Hilaire Restaurant in the Old Brompton Road, London SW7 have in common? All three companies, in spite of their very different sizes and product range, have been the subjects of successful management buyouts.

Hilaire is the most recent of the three. The main shareholder is Bryan Webb, the restaurant's talented but shy chef, who with his wife and mother now controls 56 per cent of the equity. Until recently he was only a salaried employee and, as in so many businesses, was so busy running the business for his former bosses, Trusthouse Forte, that he was, until prompted, unable to see the commercial possibilities of a buyout.

The move would not have been possible without Webb's culinary skills. Born in Pontypool, South Wales – better known for its rugby than its gastronomy – Webb left school at the age of 15 one Friday afternoon. The next morning his culinary training began, at the bottom: doing the dishes, trimming beans and being shouted at in the kitchen of restaurateurs Neville and Sonia Blech, who have maintained a keen interest in Webb and who became shareholders in Hilaire at the beginning of this year.

In 1978 Webb moved to Swansea and cooked for five years at the now much-missed Drangway restaurant alongside Colin Pressdee, who has been another big influence on him. In particular, Pressdee introduced Webb to the charms of Welsh produce – not just Welsh lamb and sea bass, but the laverbread (a type of seaweed) found along some of the beaches of South Wales.

Once a week Pressdee collects this and sends it by post; it reappears at Hilaire either as *amuses gueules*, raw, shredded and then deep fried alongside mini-Glamorgan sausages (pure Caerphilly cheese, herbs and breadcrumbs), or as a first course with oysters. The laverbread is boiled for five hours and placed underneath the oysters which are then covered with a Stilton and cream cheese mix and finally put under the grill.

For two years Webb cooked in the City of London, where for the first time he saw and cooked such luxury ingredients as foie gras and girolles. In June 1987 he was asked by Simon Hopkinson, then the chef at Hilaire, if he would like to take over. Hopkinson was moving to be chef at Bibendum and Kennedy Brooks, who then owned Hilaire, had asked Hopkinson to find a replacement. Hopkinson and Webb had not met but Webb came highly recommended on the culinary grapevine.

Following a chef as talented as Hopkinson was not easy but gradually, with the aid of a good team, Webb began to establish a name for himself. What proved more difficult were the changes in ownership of the restaurant.

In 1987 Hilaire was part of Kennedy Brooks – in fact during the swinging 1960's it had been Brooks the company's first hamburger joint. In early 1988 Kennedy Brooks was bought by Trusthouse Forte, and Webb thus found himself working for a vast organisation more interested in mass catering than up-market restaurants. Although Webb says THF could not have been more helpful at a personal level – sending him to the famed Lenôtre patisserie school in Paris *with 39 other chefs* – he was aware that the company was not going to spend the money *necessary to keep up the physical* appearance of the restaurant.

In September 1989 Hilaire was busy but short-staffed and Webb persuaded Pressdee, his *former employer, to help for* two weeks in the kitchen. This he did willingly, but he also questioned Webb as to why he was working so hard for others and not for himself. Pressdee offered to provide the management back-up if Webb was willing to take the plunge into a buyout. Webb was happy to do so, particularly after being introduced to Dick Pile, a chartered accountant by training, who had a keen interest in food and wine and who offered to look after the financing and business plan.

In early November the first meeting was held at THF's offices, with Robert Burness, Lord Forte's son-in-law. THF was willing to sell and the price bracket was £250,000 to £300,000. The restaurant's annual turnover was then £500,000 and it was barely profitable. Ackroyd and Son, the independent restaurant valuers, were called in and valued the business at £145,000 at the end of December last year. Webb and the other potential shareholders offered £105,000, which THF accepted, with completion due by the end of January.

It was then that they ran into an unexpected problem – the lease. The lease had 2½ years to run and the original plan was to negotiate a new one. However, the freeholder, based in Switzerland, was not prepared to consider this. They then tried to obtain an assignment of the lease from THF to Hilaire Restaurant Plc, but the new company had no track record and the freeholder's agents were reluctant to recommend this.

Negotiations dragged on for two months and March 31 loomed – the introduction date of the new Uniform Business Rate. If Webb and his team were not in possession of the lease by that date they would not be entitled to any mitigation in the rise in the business rate over the next five years – a major advantage for any young company.

In mid-March, with THF increasingly impatient, they switched tactics and obtained a sub-lease from THF which the freeholder finally agreed. Webb and his *fellow-shareholders* took over at lunchtime on March 30 this year.

The *financial* package behind the buyout should become a model for any small restaurant. *Pile had calculated* that financial success would depend on serving 20 lunches and 45 *dinners* a day; each week he produces a formidable single page control sheet *which lists* numbers of diners – last week's average was 19.4 lunches and 43.2 dinners – and the spend on food and wine and costs to date. As a result of the hot summer their projected first year turnover of £600,000 will be down by about 10 per cent but still reasonably profitable.

The next major hurdle will be the lease negotiations in 18 months time. Plans are under way to improve the physical appearance of the restaurant to match that of the food; to improve the feel of the basement and its lighting; to take out the bar; and to install one more table, which will be invaluable on busy nights.

Sadly, little can be done to move the kitchen walls and the kitchen, at 18' by 12', remains one of the smallest professional kitchens I have seen (Webb admits that his kitchen at home is bigger!) The tortuous steps up which his staff must carry food to the tables on the ground floor will also be improved.

From this kitchen Webb will continue to produce some first class food – a new flat just round the corner will allow him to be even closer to the stove. At present he offers only fixed price menus, £15.50 for two courses at lunch, £22.50 for two courses at dinner, without service, but he plans to introduce a supper menu soon to encourage diners after 10 pm.

Although the bread was disappointing in the evening and the red wine was served too warm, two meals at Hilaire in a week failed to dampen my interest in eating more of Webb's food: a millefeuille of foie gras and artichoke, with slices of artichoke instead of pastry, potato pancakes with smoked salmon and caviar, turbot with potato puree and olive oil and a particularly good breast of Challan duck with cider, apples and celeriac chips.

These dishes come from considerable experience; Webb, still only 30, has spent half his life in restaurant kitchens. But his present position is due also to some far-sighted investors who have recognised his talents and provided the business expertise to carry out this particular management buy-out. They have also recognised that a restaurant must be managed as efficiently as any other business. More should follow their example. It would be a considerable change for this country if more were to follow their example – and if more were to follow Webb's – the young man from Pontypool who can now cook foie gras.

■ *Hilaire Restaurant, 68 Old Brompton Road, London SW7 3LQ. 071-584-8993.*

Tony Andrews

Bryan Webb, owner/chef at Hilaire in South Kensington, is still only 30 but has spent half his life in kitchens

Book Reviews

HARRY EYRES' *Wine Dynasties of Europe* (Lennard Publishing £16.95, 224pp) describes ten companies, in a wine world increasingly controlled by international groups, that remain in family hands. They are not necessarily the largest or the most prominent houses in their country. In Spain he has chosen Hidalgo, of Sanlucar de Barrameda, rather than Domecq or Gonzalez Byass of Jerez; in Burgundy Grivot instead of Bouchard Pere et Fils or Louis Latour but his selection is distinctive.

The criterion is the contribution that the personalities included have made to the wines of their area. Baron Pierre le Roy de Boisaumarie of Ch. Fortia in Chateauneuf-du-Pape was essentially the originator of the French appellation controlee system. The Marchese Piero Aintinori of Florence, by introducing Cabernet-Sauvignon into his Tignanello vino de tavola, has contributed greatly to increasing the quality and reputation of Tuscan wines.

Other profiles are more concerned with background history. Harry Evans writes sensitively, amusingly and informatively.

■ Pamela Vandyke Price is a senior wine writer in the British press. She has been on the staff of more papers and magazines and has certainly written more books on wine than any other writer. In her autobiography, *Woman of Taste* (John Murray £16.95, 314pp), she veers between self-esteem and a modesty scarcely necessary and often seeming artificial.

However, behind this and the forest of first-person singulars, there is an interesting and historically valuable picture of the British wine trade as it existed up to 25 years ago. Vandyke Price's book is largely a record of the wine merchants she knew, was entertained by and with whom she travelled in the 50s and 60s.

It was a much more relaxed, amateur trade than now, with "characters" able to indulge their eccentricities. One such was Ronald Avery, of Bristol, who combined advanced eccentricity with unusual intuitive skill in buying fine wines. She also recalls personalities once prominent in the wine world but now increasingly dim figures: Andre Simon, who with A.J. Symons founded the Wine & Food Society, and Raymond Postgate, who started the *Good Food Guide*.

Her hero and tutor was the quirky, stimulating Allan Sichel, who acquired a share of Ch. Palmer before World War II and was the father of Peter Sichel, Bordeaux wine merchant and proprietor of Ch. d'Angludet.

Edmund Penning-Rowsell

BOOKS

Dangerous altars of abstractions

SIR ISAIAH Berlin decided at an early stage of his career that he was unable to determine the actual truth or falsity of philosophical propositions. Instead he has devoted 50 years and more to studying the ideas, whether true or false, which have influenced and transformed societies. He has traced their historical roots, and attempted to understand and explain why they have held their power.

His latest book, *The Crooked Timber of Humanity*, is a collection of essays written between 1960 and 1988. Almost all have already appeared in print, but none in readily accessible publications. Although there is inevitably some overlapping, and there has been no attempt to impose an unreal unity, the essays taken together offer a perspective on the main movements in European thought since the Enlightenment, with excursions into other epochs. The book can be regarded as a late addition to the four volumes of Berlin's *Selected Writings* published ten years ago.

THE CROOKED TIMBER OF HUMANITY
by Isaiah Berlin
John Murray £18.95, 261 pages

As Berlin repeatedly emphasises, many of the values which our present generation admires most are of recent origin. Tolerance, for example, has seldom been regarded as a virtue. For most of recorded history it was universally assumed that there is a single body of truth waiting to be discovered or to be interpreted. Even if there was disagreement about where that truth lay, the suggestion that an opponent should be respected for sincerity alone would have struck many of our ancestors as hypocritical and irresponsible. Although only a few joined in the torturing, burning and killing which a unitary world-view tends to encourage, that, for many, merely showed how much the people need resolute leaders.

Only recently have we come to appreciate quite how drastically the revolution in ideas known as Romanticism changed the course of European civilisation. For, as Berlin vividly appreciates, the so-called philosophies which actually determine human actions are seldom coherent logical structures. More usually they are sets of opinions, attitudes, and prejudices, more visceral than intellectual, not open to rebuttal by rational argument. Their strength is not that they are true but that they are sincerely believed.

Visions of a future utopia where everything is brought back into a perfect harmony have been used throughout the ages to justify a ruthless disregard for the needs of the present. When the end is so desirable, surely no price is too high to achieve it? Especially when it is others who need to pay. Our century has seen millions of violent deaths, sacrificed in Berlin's excellent phrase, on such "altars of abstractions".

Born in Russia over 80 years ago, Berlin is familiar with the culture, language, and the literature of all the main European traditions. His writing carries the conviction which comes from long study, deep consideration, and plenty of real life experience. His prose is a joy, with long, beautifully flowing sentences.

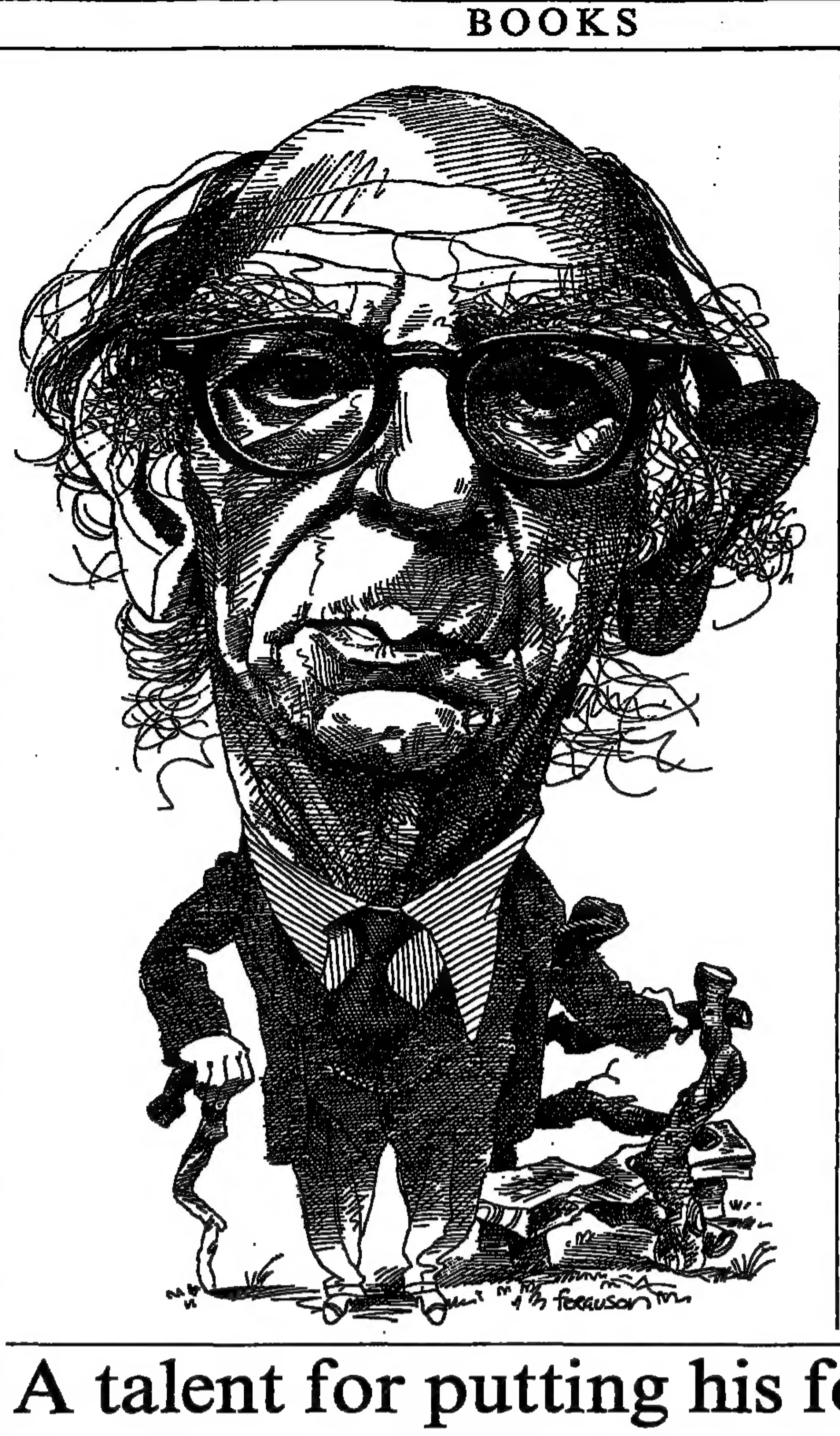
With knowledge comes wisdom and with wisdom modesty. Although Berlin nowhere offers anything approaching a coherent philosophy of his own, he has no doubt of the source of much human misery. The "great goods", as he calls them, of human aspiration, liberty, justice, equality, are not coherent and cannot ever be. To use one of his favourite words, they are incommensurate with one another. Single systems are not only destructive, but logically unattainable. Pluralism and variety of thought are not compromises, but the glory of civilisation. As Kant wrote in a resonant phrase from which the title of the book is taken "Out of timber so crooked as that from which man is made, nothing entirely straight can be carved."

It is no paradox that Berlin's humane understanding encompasses even those whose opinions are most alien. Among the best of the eight essays is the 1960 discussion of the Frenchman, Joseph de Maistre, a counter-revolutionary writer of high literary talent who lived in the later 18th century. History has tended to see him, if it remembered him at all, as a left-over from the exploded notions of the Middle Ages. In fact his world view was one more common in the 20th century than in his own.

Maistre hated what he saw as the false view on which the European Enlightenment had been founded. He loathed liberals and others who believed that men could learn to live in co-operation. The universe for him was a jungle, a place of perpetual war, where only the strong could survive and only the conqueror could prevent collapse into anarchy. What was needed above all was unquestioned political and moral authority before which the people would willingly prostrate themselves.

Modern fascists have on the whole been inarticulate, and it is easy to dismiss their ideas as the confused and meaningless rantings of thugs. However if you want to glimpse just for a moment how the world appears to a man like Hitler, read Berlin on Maistre.

William St Clair



War remembered

SAMUEL HYNES'S last book was a memoir, *Flights of Passage: Reflections of a World War II Aviator*. It found, among many other veterans of that war, an appreciative reader in George Bush. Here in his long and scholarly *A War Imagined* Hynes, who is Woodrow Wilson Professor of Literature at Princeton University, turns his attention to the earlier world war. It is the third and middle leg in a sequence of cultural histories Hynes has written, tracing English social and artistic tendencies from the Edwardian period to that of *The Auden Generation*, the title of the previous volume.

In this one Hynes offers a consecutive account of the variety of ways the memory of the first world war has been transmitted. He draws on many sources – from official propaganda to personal memoirs. He traces the progress of the war as it made its impact on every kind of art-form, verbal, visual, musical. Thus, Hynes is as much concerned with public monuments as he is with lyric poetry, with legislation and sartorial fashion as with techniques of fiction-writing, with war films as with war paintings. He shows us, for instance, how at the outbreak of war the tailors Pope & Bradley presented the war in their advertisement The Man of Today as primarily involving a costume-change. And how in a novel such as Ian Hay's *The First Hundred Thousand* it was greeted in terms of ringing patriotism compared with the mature view after it was all over of Ford Madox Ford in his masterpiece, *Parade's End*.

Although his approach is highly individual, Hynes is by no means first in this particular field. Paul Fussell's influential *The Great War and Modern Memory* (1975) also cast a wide net over the same area and inevitably there is some overlap. But whereas Fussell was concerned to identify many of the crucial images of the war – the notion of the Front or of No Man's Land, for instance – and to trace their survival as metaphors long afterwards, Hynes attempts to reveal the way the war as a whole was monitored to the British public, by the official sources of information and by the testimony of private witnesses acting sometimes under official constraint. And Hynes aims to reveal the constant revisionary process that continued during and after the war. It still continues (see William Boyd's *The New Confessions*) but Hynes is not here concerned with our view of the war from the vantage-point of the 1990s.

A WAR IMAGINED: THE FIRST WORLD WAR AND ENGLISH CULTURE
by Samuel Hynes
The Bodley Head £20, 515 pages

He ends these studies in the period of the 1930s when what are now regarded as the classic accounts of the war, Graves's *Goodbye to All That*, Blunden's *Undertones of War*, Sassoon's poetry, his *Memoirs of a Fox-Hunting Man* and other Sherston books, the poetry of Wilfred Owen, R.C. Sherriff's play *Journey's End* had all been published. He sees the General Strike of 1926 as both a reprise of the war and the bitterly divisive end of the expectation that the war would inaugurate a new era of unity and prosperity.

As well as dealing with *the* war Hynes points out that there were other wars, in society and the arts, inter-acting with it – the war for women's suffrage, for instance, and the war to forge a style which became known as modernism. These and the real war were like powerful parallel currents ultimately mingling together, and this insight is the most valuable part of his book. As well as drawing our attention to war novels once widely read and discussed but now completely neglected, like A.P. Herbert's *The Secret Battle* or Georges Duhamel's *Vie des Martyrs*, books which were written directly out of war-experience, Hynes includes in his huge mosaic works by poets and novelists who were not in the war at all, and who may even have been opposed to it.

Here Hynes is at his most controversial. He sees the sense of a waste land and of meaningless fragmentation as one of the ways the war was apprehended – he cites paintings by war artists like Nevinson and Paul Nash depicting this condition – and from the sense of disjunction and disenchantment generated by the war, he concludes that Eliot's poem of that title, Lawrence's *The Rainbow* and even Virginia Woolf's *Jacob's Room*, were all a part of the literature of the war.

Hynes's makes such connections seem valid and he makes us want to read these books again in the light of his argument. It is a complicated story and one which shatters much of the received wisdom about the first world war. It begins with a society adjusting itself to the the possibility of war. It ends with a society bloodied and bereaved by one world war and already starting to be threatened by another.

Anthony Curtis

A talent for putting his foot in it

EVEN IF he became prime minister, Richard Crossman told Stephen Spender at Oxford in the late 1920s, "I'll never again be as great as I was at Winchester." Read what you like into that statement: a burning desire to go to the top in politics, or simply idle talk by a young man who had shone at school, both at games and studies, and whose future lies as an academic. Crossman played no part in the Oxford Union and never even joined the University Labour Club. When he became a don at New College, he secured Isaiah Berlin as an assistant. Yet in the end it was politics that was the dominant factor in his life.

Clearly there was something odd about Crossman that not even this excellent biography by Anthony Howard quite manages to fathom. He was brilliant, he was hard-working, he had an open mind, but he had a talent for putting his foot in it. Not everybody trusted him – for example, the Parliamentary Labour Party never voted him onto the shadow cabinet – and the term "Double Crossman", however unfairly, tended to stick.

Perhaps he was just arrogant, and careless of the feelings of people less intelligent than himself. Possibly, precisely because of his intelligence, he changed his mind more often than is good for a politician. Howard thinks that he was fascinated by power: hence the slight suspicion that he admired the early rise of national socialism in Germany rather more than he should have done, and his later readiness to be known as "Harold Wilson's henchman". Whatever else he was, however, Crossman was not a man of the far left.

The great merit of Howard's book is that it dwells on the early life. Much of the later life we know from the Crossman Diaries: they are not rehashed here. Crossman gave rise to John Betjeman's poem "The Wykehamist": "Broad of Church and broad of mind, Broad before and broad behind". His father was a chancery barrister who was commissioned to write the rules for the Transport and General Workers' Union. While at Oxford Crossman made a spectacular marriage to a German lady called Erika Gluck, who left him after six months leaving her maid behind.

When he began to move into politics in the 1930s, he seemed firmly on the Labour right. His first speech criticised the power of the trades unions and their financial hold over the party. "One of the troubles of the Labour Party," he said, is that it is too class-conscious". When he moved into journalism on the *New Statesman*, he delivered a sharp attack on two of the principal contributors, G D H Cole and Harold Laski; "You can't have any more of this boring stuff," he announced. "They're killing the paper."

CROSSMAN: THE PURSUIT OF POWER
by Anthony Howard
Jonathan Cape £16.99, 370 pages

Crossman had no pacifist reservations about the second world war. He went into intelligence and was responsible for propaganda broadcasts to Germany, receiving an OBE and a recommendation for an American decoration. Robert Bruce Lockhart, the director of operations, wrote: "If he does not win a prize for good conduct, he certainly deserves a commendation for distinguished service."

That question mark over his conduct seems to have stayed with him. Having won Coventry East for Labour in the 1945 general election, he might have been parliamentary private secretary to Ernest Bevin. Instead he was made a member of the Anglo-American commission on Palestine. In the course of the commission's work he became a Zionist and fell out with the Foreign Secretary.

Much of the rest of Crossman's political career is a story of first being on good terms with the great names in the party and then becoming distanced. It happened with Hugh Gaitskell, Wilson and to some extent with Aneurin Bevan. Possibly he sought hero figures; perhaps they did not trust him enough. We learn here that Crossman was the man behind Wilson's famous phrase "the white heat of the technological revolution", but Wilson as prime minister would not have Crossman too close to him.

It was also Crossman's fate to become editor of the *New Statesman* only in 1970, by which time he had lost his flair as a journalist. Wilson offered him a life peerage in 1974, but he died before the announcement could be made.

Two footnotes amid much material that is new. The well known story about Crossman haranguing Clement Attlee for 25 minutes on Palestine, only for the Prime Minister to reply: "Saw your mother the other day at Lord's – she looked well" turns out not to be true. There was a genuine discussion. And Crossman's second wife, Zita, said that she would like him to have the same sort of position in the Labour Party as Rab Butler in the Tory. Crossman told the story to Butler with some pleasure. Perhaps that is what he would have liked for himself.

Malcolm Rutherford

Romp through the establishment

THE MOST overused quote in the English language, next to Hamlet's soliloquy, but far from the worst was written by Gertrude Stein about the unlovely city of *Oakland, California*. "There is," she wrote, "no *there* there."

The question of whether there is a *there*, or, to be precise, a *them*, here in Britain seems to worry a lot of people. Exercised by the protection afforded to Burgess and Maclean, Henry Fairlie identified an establishment in the 1950s (and left the *country* pursued by a real establishment, the Inland Revenue). My colleague, John Lloyd, unearthed a disestablishment in 1988 and is going off to find another one in Moscow. Anthony Sampson, in 1962, disinterred a body, and subjected it to anatomical dissection, but rapidly moved on to more fixed targets like oil, money and arms.

Undeterred by the fate of such distinguished predecessors, Jeremy Paxman (for it is he) has picked up the scent in *Friends in High Places*, subtitled *Who Runs Britain?* Now, Mr Paxman is a pretty good sleuth, well versed in the art of getting people to talk, or, at least occasionally, allowing them to interrupt.

What we have, therefore, is a mildly diverting romp through the classical establishment – the Church, the shires, the Lords, the BBC, the military, the clubs in Pall Mall and so on.There are enough nice anecdotes to divert (the Lords fiasco over Sunday licensing hours, for example), told with a pleasing irreverence that does not, by and large, demean the subjects.

But, by no stretch of the imagination, do we have ajustification of the extravagant claim on the book's cover – that this is a "journey of discovery (that) challenges all our assumptions about the framework of power in Britain." The author himself concedes this, finally, on page 334 (out of 335). *"Unsure of its own integrity* and set upon from without, the professional Establishment is bloody and bowed. No coherent new elite has yet supplanted it, but neither has a true meritocracy been forged."

Not even Mrs Thatcher, after 11 years in power, has managed to shape *them*, or even necessarily *conquer them*. The

FRIENDS IN HIGH PLACES: WHO RUNS BRITAIN?
By Jeremy Paxman
Michael Joseph £16.99, 355 pages

Foreign Office, as Paxman decribes in one of the better chapters, has proved not so much an elusive target as an india-rubber ball, bouncing back in strange places, even, its finest moment, not allowing her to get a word in edgeways.

What I suspect Paxman suspects, but never really quite gets round to saying, is that the establishment is merely lying low, waiting to reassert what he delightfully calls its "moral framework" over us all. Which, of course, is what Mrs Thatcher has been trying to do, without much success.

But, in the end, the question of who runs Britain is entirely subjective – and, dare one say it, not actually very important or even interesting, except to those to whom conspiracies are the staff of life. Or, indeed, except to those who like to consider themselves a part of, or heirs to, that very Establishment.

Jurek Martin

Behind the little black dress

THE ELEGANT shop in the Rue Cambon close to the discreet back entrance of the Ritz Hotel in Paris has become a mecca for Japanese tourists. On any day, you can see scores of Japanese matrons walking out of the store clutching the familiar big white paper bags with the word Chanel written in bold black ink. They invariably look delighted, even though they have probably spent a small fortune to buy a handbag, a £500 silk blouse or one of the famous Chanel suits.

Coco Chanel died 19 years ago. But the Chanel legend lives on. Axel Madsen has now helped perpetuate the legend a little more with a lively biography of the extraordinary fashion designer whose life was from start to finish an extravaganza.

Much has already been written about Chanel: her influence on fashion, her inspired business sense, the invention of the Chanel Number 5 perfume, her love affairs with a glittering cast of well-known men from the Duke of Westminster to a Russian Grand Duke, a German spy and Igor Stravinsky, her visit to Hollywood, the closure of her business at the beginning of the last war and her comeback in the fashion world.

COCO CHANEL: A BIOGRAPHY
Axel Madsen
Bloomsbury £20, 388 pages

This new biography brings together all the various well-known and lesser known aspects of her extremely full and complex life. Although Chanel herself was always embarrassed to talk about her youth, it is this part of her life which makes her whole story so fascinating. She literally came from nothing. She was the illegitimate daughter of itinerant market traders. She was brought up in a nuns' orphanage. She could never live with the truth and throughout her life she would re-invent her childhood.

Gabrielle Chanel became nicknamed Coco because she used to sing at a cafe before she broke into fashion a song about a dog called Coco. The name stuck throughout her life. She subsequently built up her business with the help of Boy Chapel, a roué Englishman who was the great love of her life. She invented sportswear and put women into sweaters and short pleated skirts. She created the famous little black dress. The straight lines of her dresses or suits were simple, stylish and chic. One of her big rivals, Paul Poiret, dubbed her style as "miserabilisme de luxe".

Coco Chanel between Salvador Dali and Christian Berard in Monte Carlo, 1938

She certainly did not lead a miserable life once she had turned her back to her miserable childhood. She mingled with the rich and famous, seems to have spent a great deal of her life in the luxury of the Ritz in Paris; even during the war the Germans allowed her to stay in the hotel. The war years constituted one of the most intriguing parts of her life. She fell in love with a German and later offered to intervene on behalf of the Germans with her friend Winston Churchill to help bring an early end to the war. Her mission, which involved a trip to Madrid where she inevitably stayed at the Ritz was unsuccessful. After the defeat of the Germans she was arrested. She later went to live in exile in Lausanne before making her fashion comeback in Paris.

Although she was getting old, she remained extraordinarily vibrant. As she once remarked: "You can be gorgeous at twenty, charming at forty, and irresistible for the rest of your life."

Paul Betts

The run down to Booker

Mary Hope puts her cards on the table

I AM not a novelist whose novel has either won or been shortlisted for the Booker prize and who is also a Booker judge. A person can feel quite out of things sometimes. Never mind, as the one who unofficially tipped Brian Moore in 1976 (winner: D.Storey), V.S.Naipaul in 1979 (winner: P. Fitzgerald), Julia O'Faolain in 1980 (winner: W.Golding)) – need I continue? – I have been asked to say a few words about this year's finalists.

The Novel is a broad church and the Booker goalposts have, on occasion, been moved. The judges look at, perhaps even read, around a hundred novels and decide which they like best (rather a different thing from deciding which is *The Best*); then the subsequently well-publicised horse-trading begins and the winner picks up £20,000 and a chance to appear on television. I cannot find it in my heart to disapprove of any of this: anything which encourages people to read novels cannot be all bad.

There is nothing shaming in this year's shortlist, apart from a certain predictability (though I would have wished to see Ian McEwan's extraordinary *The Innocent* or Nadine Gordimer's *My Son's Story*). For some reason, I have always avoided reading Mordecai Richler's novels; having read *Solomon Gursky Was Here*, for some reason I still feel the same. Although this is a most ambitious, sprawling, inventive work, crammed with Jewish jokes, Canadian history, myth and magic, I found it overwrought and wearingly insistent: attention-seeking without being interesting.

What are known, in the visuals trade, as production values, are much in evidence this year. "Think detail!" someone seems to have told Richler (shortlisted once), Byatt (once a judge), Fitzgerald (shortlisted three times, winner once) and Bainbridge (shortlisted twice, judge once). Byatt's intricate "romance", a blend of literary detective story, passionate Victorian pastiche and less focussed modern love story is crammed with period detail, minutely faithful to her models – a big book in all senses. She examines love, faith, the power of words: it is, among other things, about the getting of knowledge (and, like Richler, it is a quest novel): it is also occasionally extremely funny, quite exceptionally clever, but, somehow, because of the literary tricksiness, ultimately unsatisfying.

Penelope Fitzgerald is equally detailed, more convincing. On one level, a love story set in Cambridge just before the First World War, it is a highly charged, deeply intuitive examination of the nature of faith, the difference between mind and body. She has a completely individual, elliptical imagination which flies and delightfully darts.

More down to earth but equally, if differently quirky, Beryl Bainbridge's extraordinarily circumstantial account of the effect of a dangerously precocious teenager on a down-at-heel theatre company in Liverpool in 1950 sees her back on top of her form. If anything, I think she has surpassed herself with this one: as ever, she plays with fire, skirts danger, implies psychological fragility better than anyone: this could be her best since *The Bottle Factory Outing*. She has an unmistakable voice, an authorial tone which teeters on a tightrope of uncertain taste: a delight.

I am a great admirer of Brian Moore (shortlisted twice), but I have to say that in *Lies of Silence*, I think he is on automatic. It is, as usual, a superbly oiled vehicle: a taut, edgy exercise in moral brinksmanship set in contemporary Belfast and London, but, although, as usual with this author, the book is impossible to put down, there are enough basic credibility gaps in the plotting to cast suspicion on the slickness. He has also used a similar plot formula before: right author, wrong book.

Which leaves John McGahern. *Amongst Women* is very quiet: a widowed Irish farmer, his growing children, a new wife: plangent and joyful descriptions of the eternal rhythms of rural life. The family shifts and adjusts to accommodate his moods. Chekhovian in its understated depth, it is a perfectly achieved portrait of a man uncomfortable in his own nature, trapped in his character, flailing to break the bonds of personality. Near death, he visits his garden, and the veil lifts: "to die was never to look on all this again. It would live in others' eyes but not in his. He had never realised when he was in the midst of confident life what an amazing glory he was part of." For me, John McGahern does not put a word wrong: Chekhov, the late Beethoven quartets come to mind. This is your man.

Mexican poet wins Nobel Prize

"THERE IS nothing worse for a country than to mummify its writers" observed Octavio Paz three years ago, just having been passed over once more for the Nobel Prize for literature. Now that the Mexican poet and essayist has won it, he will find it hard to resist assuming the mantle of the national institution he has uncomfortably become.

Paz, among the very best of living poets, has always been an uncomfortable Mexican – a man possessed of a truly universal culture, yet tied to a profoundly nationalist country. The discomfort has almost always been reciprocal. Paz is honoured, but not quite trusted, in his own country, either by the Institutional Revolutionary Party regime, or the many Mexican intellectuals he has flayed mercilessly for their "theological" mindset and financial dependence on the state. "It's a bad idea for an intellectual to feel comfortable," Paz, 76, remarked.

His best known work, the 1950 essay on Mexico, the much-plagiarised *Labyrinth of Solitude*, remains an astonishing tour de force of Paz's supple, reflective imagination, which has fixed an indelible image of the Mexican personality for hundreds of thousands. His polymathic essays – on art and politics, on aesthetics and poetics, on anthropology and language – have come more fluently than his poems, which have been grouped largely in five major collections from 1949. The best poems, arguably, are to be found in *Libertad bajo Palabra* (1957), containing perhaps his single best-known, *Piedra de Sol* (Sun Stone); *Vuelta* (Return) in 1976, which includes the San Ildefonso Nocturne; and his last poetic work, *Arbol Adentro* (The Tree Inside).

This was published in 1987, a year which saw a new flowering of Mexican poetry, to which Paz the literary entrepreneur and publisher had signally contributed, through his monthly magazine *Vuelta*, the Spanish-speaking world's foremost literary periodical. Magazines are perhaps the thread linking Paz's career. He started one at 19. In 1938, he founded *Taller* (Workshop), probably the first to publish in Spanish the work of Rimbaud, Lautreamont and Breton, a strong influence on his own work. This was on his return from the Spanish Civil War, where, like most writers of the time, his sympathies were engaged on the Republican side.

Paz's subsequent disillusion with Marxism and the Left was, nevertheless, more gradual than that of many of his contemporaries. Enrique Krauze, the liberal historian who edits *Vuelta*, in an acute essay on Paz the thinker, wrote that "Paz lived Marxism in a similar way to the students of 1968: as a prophecy – and by moments, a poetry – of liberation". From there he has evolved, Krauze observes, "to the practice of counter-prophecy... with all the passion of religious disillusion."

Though he resigned as Mexico's ambassador to India in protest at the 1968 army massacre of several hundred students at the Olympic Games in Mexico City, Paz's virulent hostility towards Castro's Cuba and Sandinista Nicaragua estranged him from his intellectual peers. Yet he has got close to the current government headed by President Carlos Salinas, in office despite an at least partially rigged 1988 election. When last month the Peruvian novelist Mario Vargas Llosa described Mexico as the "perfect dictatorship" – especially in its skill at co-opting intellectuals – Paz was visibly discomfited.

Yet Paz – the imagination, not the public man – has a horror of the static, the petrified, the doctrinal, the fixed, which runs like a chorus through his work. It may still be expected that this side of the man will revolt against his new, near-mummified status.

David Gardner

Detail from one of Giuseppe Maria Crespi's ceiling frescoes at the Palazzo Pepoli, Bologna

Crespi's murky genius

IT IS not always easy to recall precisely when one became aware of a particular artist. Often they seem to creep up on you, but in the case of Giuseppe Maria Crespi, the moment of discovery was unforgettable. It was in Vienna, at an exhibition of treasures from Dresden, where the star attraction was the series of canvases from the Gemäldegalerie representing the Seven Sacraments. The contrasts of the crisp white paint of the crinkled vestments against the Stygian gloom of blacks and red-brown, the intensity and naturalism of the scenes, were the stuff of high drama.

This, as it transpired, was a case of becoming acquainted with an artist at the height of his powers. One of the many rewards of the Crespi show currently in Bologna (until November 11) is seeing how frequently he approaches the greatness of his masterpiece.

The sombre "Sacraments" – and most of Crespi's work – will comes as a considerable surprise to anyone used to tracing the history of Italian 18th century painting from Sebastiano Ricci to Giambattista Tiepolo, in a seemingly endless profusion of irresistible flesh and skies touched with pink. Crespi belongs to the other, darker line, which is born out of the tenebrism of early Guercino as opposed to the blond tonalities of Veronese, and which leads on to Piazzetta.

Crespi's oeuvre covers all the traditional forms of monumental painting – altarpieces, mythologies, portraits – and treats them with an earthy and energetic wit that never lapses into frivolity. Conversely, his genre and still-life paintings endow the everyday with an almost heroic dignity. A girl hunting for fleas, a record-breaking plant, and best of all, a convincingly leathery trompe l'oeil music bookcase, are all taken seriously.

The exhibition is in two parts, the first installed under the wildly eccentric ceiling frescoes Crespi executed at Palazzo Pepoli, the second held in the Pinacoteca Nazionale, where the altarpieces of the last great master of the Bolognese school are shown to great effect surrounded by the achievements of his illustrious predecessors, notably the Carracci and Guercino. Alas, the pictures in the Palazzo Pepoli – save the captivating, flaming-cheeked lute player – suffer from being hard to see. Good lighting is essential for as murky a genius as Crespi's, and the famous "Fair at Poggio a Caiano" from the Pitti looks as if it is taking place during a total eclipse.

The separation of the two halves is only loosely chronological, but in any event the sheer uniqueness of Crespi's vision is such that one is more likely to be struck by its individuality than by the way it changes over time. Least appealing are those canvases not always small in themselves, but peopled by diminutive, doll-like figures. Perhaps this is a case of guilt by association, for the scale is reminiscent of the ghastly Pietro Longhi, fatuously dubbed the Italian Hogarth.

It may be a consequence of seeing Crespi in Bologna so close to Titian in Venice, but it is revealing to link their treatments of the theme of Tarquin and Lucretia. More than almost any other painter of the intervening century, Crespi uses his brushes with a brio worthy of Titian to create a constantly changing and utterly compelling paint surface. His touch is spontaneous and thrillingly free, but his meticulously exact red chalk drawings reveal just how carefully everything was planned. That paradox is at the heart of his art: it is hard to imagine what the public will make of it when this show reaches, via Stuttart, Moscow in 1991.

Susan Moore

Death, sex and religion

ON THE THIRD DAY
by Piers Paul Read
Secker and Warburg £13.99, 282 pages

REDEMPTION
by Tariq Ali
Chato and Windus £13.95, 280 pages

MERCY
by Andrea Dworkin
Secker and Warburg £13.99, 344 pages

PIERS PAUL Read may be a member of the Catholic intelligentsia or a modern version of Evelyn Waugh but still, he undoubtedly takes pains to keep the common touch. His latest novel, *On the Third Day*, starts off with an archaeological dig which unearths the unresurrected body of Christ, proceeds with a monk found hanging from a monastery window and then quickens pace with a young novice who is so profoundly disillusioned with the notion that Christ may not have risen after all that he begins an affair with an attractive Israeli student.

This is not to suggest that it is a vulgar novel. Far from it. But the constituent parts bear a passing resemblance to the sort of books that are popular with airline travellers: a sort of thematic combination of Leon Uris and Umberto Eco. Most people like whodunnits, and if there is one thing they like more than an inexplicable corpse it is the inexplicable corpse of a monk. Add to this the notion that the whole Christ-corpse caboodle might be the result of a conspiracy between the KGB and the Israeli secret service and you have really a rather racy read.

The theology is assured. When a Cardinal and his followers consider whether it really matters all that much whether Christ rose physically or not, it is a neat roundup of some of the arguments which have taken place among theologians on the subject. But his suggestion that there is a close association between celibacy and the doctrine of the Resurrection strikes me as peculiar, though it might not seem so to a non-Catholic reader. And when it comes to his summary of the Church's condition in the modern world, there is little doubt that Mr Read's sympathies lie with the traditionalists and not with the post-Vatican II trendies.

As ever, Mr Read's style is chaste, elegant, and deceptively simple. What irked me about the book, though, was the way every character appears with an elaborate sketch about his psychological background. Mr Read plainly wants us to know that he realises how people can be conditioned by their childhoods. Descriptions like that of Henry, the libertine who treats women abominably because his mother was beastly to him, would be better if they left a little to the reader's intuition.

But it is a good book, the sort that is too often damningly described as readable. It is an affirmation of faith and it finishes with redemption. And the charming love story has a happy ending.

If Piers Paul Read seems anxious to please, what can be said of Tariq Ali's new novel, *Redemption*? He is simply desperate to capture and sustain the reader's attention and no device is too bizarre to secure this end. Marxist crack-pots with iron penises. Breast feeding neo-revolutionaries. Talking penises. Talking – nay, oracular – babies. The ghost of Trotsky.

His desire to entertain is laudable. The book concerns the problems facing the Trotskyist fringe after the counter-revolution in Eastern Europe. Tariq Ali trots from one creaky splinter group to another, in France, in London, in New York. The hero, Ezra Einstein, is an aged revolutionary who decides to convene a World Congress of the movement to discuss the crisis. There he unveils his solution: that Trotskyists should infiltrate the world religions.

The chief feature of the book is its close identification between politics and sex. Ezra's repellant deputy, the Cuckoo, is described as a repressed rapist: "What he could not do to people, he did to tiny sects all over Europe". The English Trotskyist, Jed Burrows, takes a peculiar ideological turn because he fancies Norman Tebbit. More conventionally, the liberation theologian, Father Rossi, is persuaded to become a father in more ways than one.

Undeniably, the book has pace. But the reader eventually suffers from fatigue at the oddness of the events that unfold. It may well be the case that all Marxist-revolutionary sects are peculiar. Certainly, the factional infighting rings true. But Mr Ali is not content to describe funny little cliques but embellishes his narrative with flights of fantasy that are described in the blurb as surreal but to others seem simply lunatic.

One charge that can't be levelled at Andrea Dworkin is that she is too anxious to please. It is impossible to imagine anyone reading *Mercy* for pleasure. It can loosely be described as a stream-of-consciousness book about the manifold ways that women are raped. There is no coherent narrative, no sense, no characterisation, no humour. It is perplexing that any publisher can be deluded enough to imagine that people would buy the book. There are infinite ways that £13.99 can be better spent. But enough. *Mercy* damns itself.

Melanie McDonagh

Propelled by obsessive love

CAROL
by Patricia Highsmith
Bloomsbury £13.99, 262 pages

FORGET PATRICIA Highsmith, best selling crime writer, and read this novel for its own very distinctive merits.

Highsmith planned it in 1948 shortly after her first novel, *Strangers on a Train*, had been accepted for publication, as she explains in an Afterword. It was sparked off by a strange encounter which took place when she was working in a New York department store selling dolls during the Christmas rush. She wrote the entire story in synopsis that evening in an odd but uplifted state of mind. Next day she had a high fever and came down with chicken pox. When eventually she finished the novel, it was rejected by her publishers who saw a lucrative future for Highsmith as a "suspense writer".

Carol was published in 1952 as *The Price of Salt* under the pseudonym Claire Morgan. Highsmith was warned, probably correctly, that if she published this novel under her own name she would be labelled as a "lesbian book writer", to the detriment of her thriller writing career. *Carol* is more of a love story than a lesbian story. It is about obsessive love which strikes at random and can devastate all around it. It matters little, at the start, that it is two women who fall for each other. Nineteen year old Therese, an aspiring set designer, has a Christmas job selling dolls in the New York department store. Carol, an elegant older woman, approaches Therese to buy a doll: "Her eyes were grey, colourless, yet dominant as light or fire, and, caught by them, Therese could not look away."

Highsmith's admirers will recognise certain trade marks as the story of Carol and Therese develops: vivid descriptions of everyday New York life, a fast-moving suspenseful plot with surprise twists, descriptions of states of heightened awareness, moments of moral ambiguity, but here they serve a richer, more complex theme than usual.

Given the ethos of the time, Highsmith is remarkably outspoken in her descriptions of the physical relationship between the two women "that leap of response in both of them, as if their bodies were of some materials which put together inevitably created desire." Both Carol and Therese are reluctant to admit their homosexuality. Carol is in mid-divorce, fighting for custody of her daughter. For the younger Therese, it is, at first, a matter of love, not sexual orientation. Her devotion to Carol often reminded me of the distinguished prose stylist Djuna Barnes insisting "I'm not a lesbian, I just love Thelma."

Highsmith ends her story on a strong uncompromising note. Therese is forced to recognise that she is a confirmed homosexual, and if she doesn't have Carol she faces an empty, promiscuous future. Carol has lost her battle for custody and given up all hope of retaining her daughter's affection. Just how Highsmith contrives to make what she calls in her Afterward "a happy ending" out of this situation will not be revealed here. I would not call it happy myself. Positive is closer to the mark.

The years have given Carol an element of nostalgic charm which adds many incidental pleasures. This is a smaller-scale more humane New York, a place which is exciting without being dangerous, a place where people still bump into friends on the street and have no trouble finding pleasant, affordable apartments to live in nor space to park their cars. When Carol and Therese take off for the West they stay in bawdily decorated tourist cabins or stuffy old fashioned hotels with bell-hops and noisy air conditioning. Everyone smokes cigarettes at all hours of the day and night, especially when tension runs high.

This is an original, honest novel, a remarkable imaginative achievement by any standard. *Carol* manages to explain much that is baffling about the nature of homosexual love by foregrounding the love rather than the homosexuality. It is just as compelling as any of Highsmith's thrillers, and a great deal more memorable.

Alannah Hopkin

'Plague' in the cathedral

NOW THAT the millennial wheel has moved full circle, and Nature has once again replaced God as the object of reverence, it was totally appropriate that *The Plague and the Moonflower*, a Green operetta, should be performed inside Canterbury Cathedral. Cathedrals will prove a permanent memorial to Christianity, and the 15th century vaulting of the nave provided a setting which, in grandeur and confidence, exceeded anything in the philosophy of Ralph Steadman and Richard Harvey who collaborated over this well meaning "entertainment".

Its theme is the destruction of the Amazonian rain forest but the duo approached it through a labyrinth of pretentious twaddle. You had only to read the first sentence of the programme – "Time catches breath on its own threshold as we wait in the last decade of the old millenium (sic)" – to stir uneasily in your chair. But Ian Holm, seated at the side in a woolly, had to declaim much more dire nonsense. Sometimes you wanted to decipher meaning from the flow of contrary adverbs and persistent tautology, but not for long. This was gush of monumental pomposity.

In contrast to Steadman's words and images, projected on a vast moon shaped screen, the music of Richard Harvey was rather powerful. From a creamy, dreamy start he paced himself with some quite startling crescendos, which the cathedral echoed to the Heavens. He was well supported by choirs, soloists and John Williams on guitar.

When violinist Richard Studt stood forward to dash off a dazzling demon dance, with his bent shadow magnified ten fold on to the high places of the nave, like a demented Chagall fiddler; when the columns became so many Amazonian trees speckled with green and yellow, the performance came alive. But when a black stilted figure twelve feet tall (the Plague Demon, "the dark side of man's soul") roamed at random around the aisles; when a bunch of opal white balloons floated listlessly above the transept (the Moonflower), we were back with that other threatened species, the totally banal. At the end those who had slept most soundly, applauded most vociferously. They were not clapping the performance; they were congratulating themselves for being so sound on the rain forest, enjoying the warm glow that comes from communal worship.

Antony Thorncroft

ARTS

Composer comes into her own

Andrew Clements talks to Judith Weir, whose second opera opens in Glasgow on Wednesday

JUDITH WEIR'S output over the last ten years has been so protean, so consistently surprising, that she does not fit comfortably into any of the lazy journalistic pigeonholes scattered about the contemporary-music map. She is extremely wary of all of them too, but describe her as an experimental composer and immediately she becomes enthusiastic: "I do take every piece as it comes and I've always thought of myself in that way, even when I was writing tonal music. For a long time it seemed an absurd thing to say, but it was composers like John Cage, and the whole New York arts scene of the 1940s and 50s, that got me interested in becoming a composer in the first place; the idea of invention rather than of perfection."

She has followed that instinctive path from the beginning, from informal studies with John Tavener while she was at school, through Cambridge and subsequent spells of teaching and residencies. "When I started composing, it was just a development of performing. I hadn't played a lot of new music, though I began to love Stravinsky and Messiaen. While I was an oboist in the National Youth Orchestra we were conducted by Boulez; that was a very formative experience. The Symphonies of Wind Instruments, which we did then, has always been an absolutely basic piece. Increasingly too I'm coming to see my debt to earlier music, and especially to the Bach cantatas and passions."

It was the success of her first opera, *A Night at the Chinese Opera*, in Kent Opera's production in 1987 that provided the breakthrough. "The subject matter was ludicrous in a way, and I was amazed that so many people took it on board, even to the extent of finding logical flaws in the plot." But to anyone tracing her development through the works of the mid 1980s, and especially the pocket operas, such as the beguiling *Consolations of Scholarship* (1985) and *King's Harald's Saga*, a "grand opera in three acts" for solo soprano lasting just 12 minutes – "I used to enjoy playing in the pit, and that piece grew out of getting involved in some ludicrous grand operas" – something as rich and strange as *Chinese Opera* seemed a natural progression.

Scottish Opera was quick to commission its successor, and *The Vanishing Bridegroom* is the result. It is an interweaving of three Highland folktales, and like *Chinese Opera* avoids the kind of linear story-telling that was the medium's stock-in-trade until well into this century. "I get terribly impatient with that kind of structure – music moves at a different pace, and I'm always wanting to do things which aren't the most obvious narrative thing. It's perfectly possible to go forward 20 years with a single piece of music, and then one easily accepts the conventions of musical time instead of narrative time, probably because of the influence of film. We've all become so used to flashbacks and forward jumps to the next frame that it seems perfectly natural."

But for a composer who has written so consistently for specific performers, opera might seem a strangely public, impersonal medium. "When I started to write pieces it was always with the feeling that I knew the performers – it was music as a gift or as a social opportunity. Now when I'm involved in an opera I still write for particular people ... the whole reason I like opera is the gesture of faith the audience make in turning out of their homes for the evening."

It is those acts of faith and the whole business of performer involvement that have limited her orchestral writing to date – composers of Weir's stature in their mid thirties would ordinarily have at least a couple of hefty scores under their belts by now – though a commission from Birmingham is on the horizon. "I haven't been at all pleased with the orchestral pieces I've done. What's stopped me from exploring it further is that it is so very fixed; you can complain about operas, but even with a traditional opera company there's an awful lot you can do – they really do their best. But the orchestra is a very historical medium. Yet what's happening with the CBSO does encourage me, because the people in that orchestra must have a different attitude to their work from players elsewhere."

Weir then seems to define her own composing world. Deeply suspicious of categorisation and the 'isms of contemporary music, she is conscious too that women composers must not think themselves into a ghetto. "A lot of women composers have started quite late in life, but publishers have a fixed idea of what a new composer ought to be – a young man in his mid twenties, rather than a woman in her mid thirties or forties. I'd hope that their music would just be integrated into the mainstream."

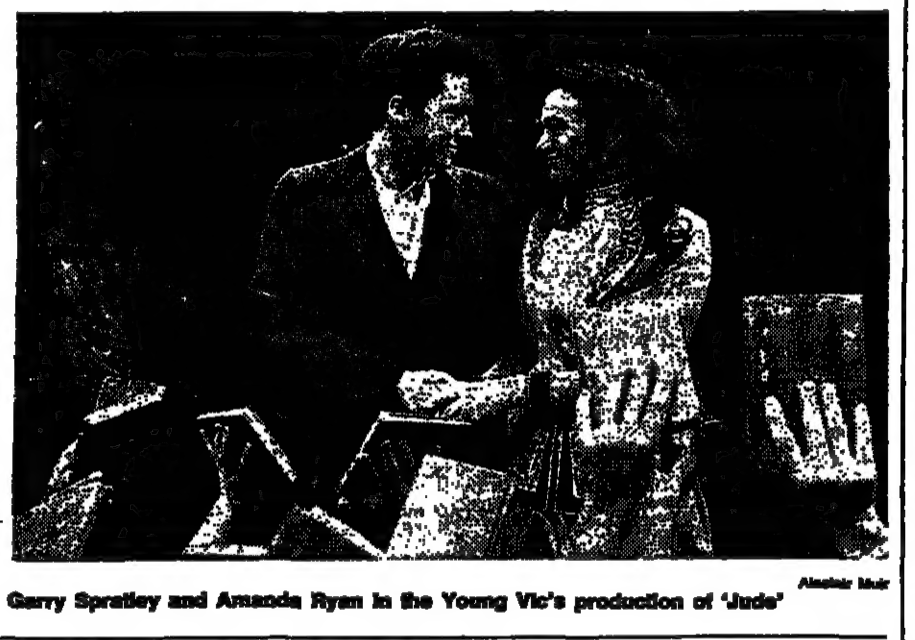
Judith Weir: 'The Vanishing Bridegroom' was commissioned by Scottish Opera

Young Vic

THE SAVE the Young Vic Campaign is now in full flow with performances by its Youth Theatre. *Jude*, a dramatisation of Thomas Hardy's novel, opened on Thursday. I am not sure that it shows the Young Vic at its best. But over the years the Young Vic has made a substantial and original contribution to our theatre, most recently in putting on some of the lesser known Arthur Miller plays which turned out to be rather better than some of his more famous works.

There would be a gap in the London theatre if the Young Vic were to close. One possible solution, apart from voluntary contributions, might be co-operation with the Old Vic just across the road, which also appears to be retrenching yet has put on some stunning productions in the last year or two. Perhaps such an approach is too logical for the theatrical world, but it should be explored. The Vics should come together.

M.R.



Alastair Muir

Garry Spratley and Amanda Ryan in the Young Vic's production of 'Jude'

Maw's Odyssey

ANYONE WHO conceives a 100-minute orchestral work in the late 20th century is probably asking for trouble, but even Nicholas Maw cannot have imagined the chequered progress of his *Odyssey*: commissioned and then uncommissioned by the LSO in the late 1970s, allowed to lie dormant until the BBC resuscitated the commission for the 1987 Proms, and, because of rehearsal problems, only given initially in an incomplete version. The BBC did the decent thing with the first complete performance during its "Maw Day" on the South Bank in April 1989 but the work can only really be said to have come of age this week, when Simon Rattle conducted it with the City of Birmingham Symphony Orchestra in Nottingham on Wednesday and Birmingham Town Hall the following evening.

The performances were recorded by EMI and, supplemented by a couple of studio sessions, will form the basis of a commercial release. Rumour has it that Rattle made a recording of *Odyssey* a condition of renewing his contract with EMI; the company has responded accordingly. Clearly it is a score with which the conductor identifies closely; the sheer force and commitment of the performance and the concentration he drew from the CBSO through the huge unbroken span demonstrated the depth of his commitment. Maw's fundamentally late-romantic idiom – echoes of Bruckner and Mahler, Berg and early Schoenberg, Britten too sometimes – chimes with the repertory in which Rattle and his orchestra have become pre-eminent. The score suits them perfectly.

Experiencing – just "hearing" it seems an unworthy description for a work that submerges its listeners so profoundly – experiencing that grand design unblemished reinforces admiration for a great deal of of its invention, lyrical and dramatic, but inevitably raises a few questions of proportioning among its five "movement-sections". Surely the central intermezzo reprise is too extended; doesn't the slow section reach its core set of meditations belatedly? And doesn't the finale, for all its grandeur and apocalyptic fury, ask the listener to take some of its thematic working on trust?

What was obvious though, in Rattle's impassioned unfolding, was the finely judged pacing of Maw's score – it really is a musical and philosophical argument that needs so much music to make its point – and that he is more than able to clothe that ambitious structure with a sequence of memorable ideas. The expressive beauty of much of the string writing and the seamless elegance of the woodwind melodies, with the careful grading of those themes designed for elaborate self-sufficiency and those more utilitarian, intended for rigorous development, is set against rebarbative brass and swirling corporate effects; the scoring is unfaltering, the demands on the players extreme but never excessive.

Perhaps *Odyssey* will prove to be a dinosaur, struggling to a survive in a musical world that has passed it by; perhaps not. At least one can now sense the full glory of Maw's conception, and have proof that it can be made to work in performance. The recording will only enhance that admiration.

Andrew Clements

Irish drama in Dublin

Victor Price reviews the Theatre Festival

ARE THE great days of the Dublin Theatre Festival over? This thought has been prompted by the eminent absentees. There is no Brian Friel here – although the Abbey production of *Dancing at Lughnasa* is about to open in London – and no Hugh Leonard. Heaney's Irish Philoctetes holds sway in Derry, not Dublin.

The magnetic pull of London seems well nigh irresistible; even Frank McGuinness, whose play *The Bread Man* is one of the Festival's most interesting offerings, flew there briefly earlier this week for a revival of *The Factory Girls*. And the play which has been arousing most interest here, Billy Roche's *The Poor Beast in the Rain*, is a novelty only in Ireland: the Bush Theatre premiered it last autumn.

In spite of this, the conveyor belt of Irish drama is still rolling, although what comes off it is of variable quality. Johnny Hanrahan's *Volpone* for example, a Country and Western musical based on Ben Jonson and featuring a Dail deputy who puts it about that he is dying in order to make his political rivals reveal themselves, is too much of an Irish in-joke to have wider validity.

Again, the rising company Co-Motion displays great energy in its multi media presentation of *The Sinking of the Titanic and Other Matters* by Joe O'Byrne; but the political message of the play (wicked shipowner skimping on lifeboats in ruthless pursuit of profit and suffering nightmares because of it) is simplistic.

I had been looking forward to Tom McIntyre's *Kitty O'Shea*. Here is one of the most dramatic subjects in Anglo-Irish history, capable of being treated as tragedy, burlesque, high camp or melodrama: the one thing I didn't expect was boredom. The author, perversely determined to keep the figure of Parnell out of it, reduces him to a virtual monologue (the only supporting role being that of a long suffering daughter) in which the Cleopatra of modern times is depicted as a bibulous *grande dame*. While giving Fiona Victory the chance to turn in a virtuoso performance, this leaves the spectator unsatisfied. What *was* the true sense and inwardness of this great love affair? After Mr McIntyre's play I still don't know.

Monologues and two-handers seem to be the tendency of the year, and some have been enjoyable. Dermot Bolger's *In High Germany* features an expatriate fan of the Irish soccer team (consisting mainly of Englishmen and Scotsmen) who uses the European Nations Championship to whip up his failing sense of Irish identity. And Jeananne Crowley's *Good Night Siobhan* tells of a young Dubliner who accompanies a Northern Irish Catholic girl to her hotel room, only to be treated to an apologia for the IRA. His reply is: "Northern Ireland is not my country. It's yours and you're welcome to it." This represents, perhaps in overstated form, a general weariness in the Republic with the whole business of Ulster.

This kind of fare prompted one local critic, summing up the first week, to write: "Roll up! Roll up! A new playwright comes to town." The new playwright turned out to be none other than the Bard, performed by the international troupe Footsbarn and the Bulandra Theatre of Bucharest, two of the visiting companies.

Fortunately the situation is not quite so bad as that. There have been three plays here that would grace any festival, the two by McGuinness and Roche and a revival of *Tarry Flynn*, P J O'Connor's dramatisation of the Patrick Kavanagh novel.

The latter, in an excellent production by the Playwright and Actor's Company, was first seen in 1966 and has recreated the virtues of that period: superb ensemble work in the old Abbey style (with Britta Smith outstanding as an archetypal Irish matriarch), and total credibility – these actors have dialect drama in their bones. The narrowness, the sexual frustration, the paralysing hopelessness of Irish peasant life in the 1930s, were all there together with its wild bursts of grotesque comedy.

And that brings me back to *The Bread Man*, which is also a very local play. Set in a village in County Donegal in 1970, it has two themes: the personal inadequacies of the protagonist, Sinner Courtney, and the mayhem going on in Derry just over the border. The Sinner is a bread delivery man who has bankrupted the family business through his unworldliness; perhaps, too, in childhood he was responsible for his brother's death by drowning. His relations with his surviving brother and sister, his wife and her parents, and with his small son (surely an autobiographical figure?) are depicted in a sequence of powerful, dark scenes. The public theme is embodied in a young Catholic couple who have fled to Derry and taken refuge in the village. They too are well portrayed, particularly the abrasive wife.

The weakness of the play is paradoxically at its centre; the Sinner, a man with Republican sympathies, voices his rage at his fellow villagers and his own personal despair in long monologues which in the final analysis do not convince (in spite of Jim Norton's fine performance in the role). McGuinness tries to bind the subject matter together with symbolism (Bread, the Sea) and verbal poetry. It doesn't come off; which is a pity, because the play's power is undeniable.

Billy Roche, surely the most promising playwright in the festival, is firmly in the tradition of early O'Casey as well as being rooted in his home town of Wexford, where *The Poor Beast in the Rain* is set. His play, which captures the rhythms of the Wexford language, has the same authenticity as *Tarry Flynn* but without its ferocity: its mood is gentler both in its comic and tragic aspects. He feels that laughter without tears is no use to anybody whatsoever.

Billy Roche is an unassuming man in his early forties. He is working on yet another Wexford play, which, along with *A Handful of Stars* and *Poor Beast*, will make up a trilogy. He has a further play on the stocks, an Irish civil war drama for the Royal Court. In *Poor Beast* he has written a play that is unpretentious, honest and true to life. If he continues in this vein, he has a future. And if the Dublin Theatre Festival can continue to find plays like his, it has a future too.

Radio

Man behind the Birthday Party

HAROLD PINTER'S 60th birthday this week was celebrated by Radio 3 with a four-hour miscellany on Sunday and a production of *Betrayal* on Tuesday. On Sunday we had *Family Voices* and *A Kind of Alaska*, as well as a number of shorter pieces, a taste of autobiography, and assessment by such variously relevant figures as Peter Hall, Martin Esslin, Ian McEwan, Salman Rushdie, Arthur Miller, Dame Peggy Ashcroft and Sir John Gielgud, all presented by Michael Billington. The Poet Laureate, also 60 this year, had no such birthday party.

"Good at generating a sense of threat," said Ian McEwan, and that was evident throughout, the concern with torture too. They were traced to Pinter's early days in Hackney, not only in his status as "immigrant fighting for home" but in a youthful event, when he was conducted by two mates to the wilds of Hackney Marshes and abandoned, no word spoken. At its extreme, the threat is evident in *Mountain Language* and in a nasty radio sketch, *The Applicant*.

The political concern was also traced, until we learned that *Birthday Party* was a political play, something not even Sir Harold Hobson had noticed. Playwrights have written political matter since the 16th century and before, and it need be assessed only on its artistic achievement. Pinter's has been consistently interesting, if not always enjoyable, and one could say the same about Sunday's four hours, of which the most pleasurable moments included Pinter's reading of the end of Beckett's *The Unnameable*, and *Players*, his sketch about the cricketer Arthur Wellard.

I did not enjoy *Betrayal* much at the National in 1978, but liked it better as a radio piece, directed by Ned Chaillet. It is about loyalty to the disloyal, adulterers' concern for wives and husbands, written in reverse, from the end of the disloyal affair to the first steps in betrayal. It was excellently done by Michael Gambon, Patricia Hodge and Pinter himself; with the author involved, this was doubtless just how it was meant to go. I will only offer a word of blasphemy, that I'd have liked it played more amusingly, as if it were Ayckbourn.

Another biographical fantasia is *In My Life*, Radio 1's 10-part series about John Lennon. The first part, last Saturday, was mainly biography – his birth in Liverpool, his virtual adoption by his Aunt Mimi, then, skipping his first marriage, his life in New York with Yoko Ono and his primal therapy. After sundry miscarriages, Yoko gave him a second son, Sean, who recalls him as "a terrific dad." His son Julian from his first marriage was not mentioned until then. John's father neglected him until he was successful, when he tried to re-enter his life and was repulsed. Yet John loved his mother; one of the dreadful non-Beatle records we heard was for her, "Julia".

Julian was never honoured with a record; indeed John regarded him as "a strange child", though they became good friends in time. But Sean, Yoko's son, had a monstrous disc, "Beautiful, beautiful, beautiful boy, darling, darling Sean." "Cry, baby, cry" was not a family record, but a by-product of the primal therapy which reduced John to weeping. I hope I may be forgiven for saying little about the next nine instalments. Producer, Kevin Howlett, presented by Simon Mayo.

This seems no longer the kind of life to interest the young. Of the ten winners in the Woolwich Young Radio Playwrights competition, aged between 17 and 21, over half deal with adult, even middle-aged, problems. The first prize went to Emily Fuller for *Jump the Waves*, the second to Paul Nimmo for *Mirror, Mirror*. Both of these may be heard on LBC on Sunday, November 11, the rest on other Sundays. We began this week with *Our Father* by Emma-Jane Howell. This gave a mélange of the *thoughts of five participants in* a Roman Catholic mass. Interesting, but with some risk of a *fatwa* from the Vatican.

B.A. Young

Chess No. 842:
1. Rbe8 2 Qd6 (if 2 Qxc5 Re1+ 3 Kd2 Ne4+ 4 Rxe4 Qxe4 favours Black) Re1+ Now if 3 Kd2 cxd4 4 Rxf5 Ne4+ 5 Kxe1 Nxd6 6 Rc5 Re8+ with a probably drawn ending or 3 Rd1 Rxd1+ 4 Kxd1 Qd7 5 Qxd7 Nxd7 6 Bb5 h6 7 Rd5 Nf6 8 Rxc5 Ne4 when Black should hold on.

SPORT

Racing

Fantasy, hype and a pain in the wallet

LIKE A great many others, I lost my dosh on last Sunday's Prix de l'Arc de Triomphe in Paris in no uncertain manner, having chosen, quite eccentrically, to wager small bets on Epervier Bleu, which finished second, and In The Wings (fourth) and to stack a disproportionately large pile of chips on Hellenic, owned by Lord Weinstock. Hellenic was runner-up to the Arc third, Snurge, in the Doncaster St Leger, but only eighth at Longchamp last Sunday – two lengths and a short head in front of hot favourite Salsabil, it is true, but about seven lengths behind the winner, Saumarez.

Not that I am dejected. I am sure Hellenic ran her heart out. My money is only on loan. I shall soon get it back. Much more to the point, the Arc provided a thrilling piece of race riding by the imperious Gerald Mossé, the 23-year-old son of a Marseilles trainer – plus a salutary reminder of the dominating rôle that luck plays in racing.

Mossé, first. His style of jockeyship and posture in the saddle attract a fair amount of scorn, and he was sharply criticised for his riding of Linamix in the Epsom Derby last June. But if ever the Prix de l'Arc de Triomphe – Europe's top mile-and-a-half race – has been "stolen" by extravagantly inspired jockeyship, last Sunday's was it.

"I had no doubt at all about the horse staying," said Mossé, "and when I asked him to go he did it brilliantly." Paul Cole, the trainer of Snurge, said that Mossé and Saumarez "nicked a length-and-a-half on us turning for home." That was putting it mildly, because in shoot*ing free of the pack at the moment* that he did and scorching up the *finishing* straight to thwart Epervier Bleu and Snurge by three-quarters and one-and-a-quarter lengths respectively, Mossé stole the Arc.

I doubt if owner Bruce McNall, a Californian who bought Saumarez from British owner Charles St George last May for a reported – and bargain – $400,000, will ever have cause to be as grateful to a jockey as Mossé made him last weekend. Saumarez is now worth millions. Which must have left St

*How much is a racehorse worth, wonders **Michael Thompson-Noel***

George feeling like death.

Racing is all about luck. You have it or you don't, though if you are as rich as the Maktoums, the racing sheikhs of Dubai, you can afford to lose an Arc (Salsabil is *Maktoum-owned*) in the knowledge that there will be plenty more where she came from.

In England alone, the four Dubai sheikhs – Mohammed, Hamdan, Maktoum and Ahmed – have enjoyed an outstanding season. In the period to October 5, Maktoum horses won 295 races in England and were placed in 492 for a total prizemoney haul (win plus place) of £4,492,773. In contrast, for the same period, Charles St George is listed as Britain's 44th winningmost owner, with 11 wins, 16 places and £75,123 in prizemoney – peanuts to the sheikhs, and possibly peanuts to the man who bought Saumarez *from him*, Bruce McNall. *Never* again will a champion like Saumarez pass through Charles St George's hands. Racing isn't like that. What exceedingly rotten luck.

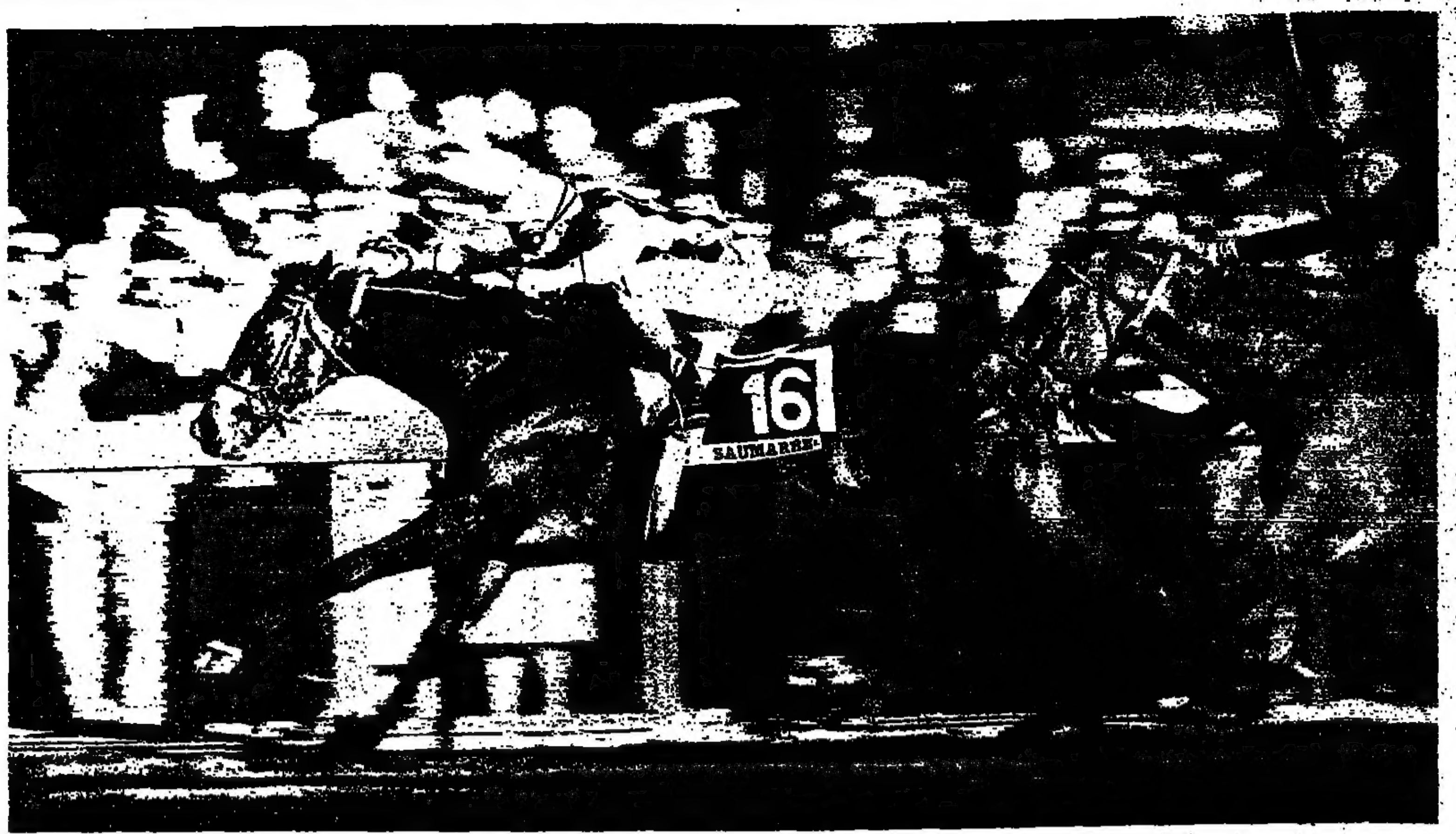
In 58th place on the prizemoney list is a company called *Blue Chip* Racing, in which I happen to own a 1,100th share (Weekend FT, July 28). Blue Chip Racing is a little people's syndicate that is near the end of its life but demonstrated the thrills of racehorse ownership, whatever their cost.

Initially, it bought half-a-dozen horses at a cost of between £27,000 and £53,000 each. Only one was any good – Bold Fox, which blossomed this season as a four-year-old middle-distance handicapper, winning three races and £61,761 – more, to date, than more famous syndicates like Kennet Valley Thoroughbreds or Full Circle Thoroughbreds.

Unfortunately, Bold Fox will race no more in the colours of Blue Chip Racing. He has damaged his off fore tendon and will not race again this year; although not lame, he is definitely on the "easy" list in the run-up to his appearance at the Newmarket sales on October 30.

As the latest Blue Chip newsletter explains: "Even when resting, life is not without traumas for a racehorse. Poor Bold Fox was stung by a wasp last weekend. This caused him considerable discomfort and he erupted into a rash. Prompt veterinary attention managed to reduce the pain, but it was altogether a distressing experience for our horse."

Because of his superb looks and temperament, there is a (very) small chance that Bold Fox could be bought as a National Hunt, or jump racing, stallion. More likely, he will be gelded and turned into a hurdler. *If so, I hope he doesn't smash a leg* or break his back, which would be a cruel reward for a noble animal that has given enormous pleasure to his army of owners.



Inspired jockeyship: Saumarez sweeping to success in the Prix de l'Arc de Triomphe at Longchamp. In England, meanwhile, recession looms, and owners and racehorse breeders are being asked some very hard questions

Away from the glamour of Longchamp, there is much talk in British racing about impending recession. Not that there was anything downbeat about last week's Tattersalls' Highflyer sales at Newmarket – England's most important yearling sales – at which 279 junior racehorses fetched a total of £24m. The average price was 86,061 guineas (1 guinea = £1.05), against 90,693 gns last year, while the median price – the mid-way point if all prices are listed in descending order – was 52,000 gns, exactly the same as last year.

Richard Mildmay-White, a Tatter*salls director, told me this week* that the Highflyer sale, boosted by some spirited Japanese buying, had been reasonably successful, but that *the emerging bloodstock* recession would be much more in evidence at next week's Tattersalls October yearling sales, and at subsequent auctions.

As the recession starts to hurt racing, we shall hear more and more groans about low English prizemoney, struggling trainers, poorly-paid stable staff, hard-up owners (ha! ha! ha!), greedy bookmakers *and incompetent* racecourse managements.

Unfortunately, the number of people qualified to express mature and rounded opinions about the financial realities of racing and breeding is painfully small. One man who *spouts a great deal of sense* is Tony Morris of the *Racing Post*. Recently, discussing the down-to-earth views of the late Sir Noel Murless, Morris referred to the economic fantasies and bogus values that harm British racing, and explained how he had waged an unsuccessful war against the "purveyors of hype and bullshit."

"The plain facts," wrote Morris, "are that thoroughbreds in Britain and Ireland are wildly overpriced. There is no reason why they should cost so much to buy or to breed, and it is precisely because of unnatural and unwarranted inflation, the result of sheer greed, that the business is beset by so many financial problems . . . It is ludicrous to complain about the lack of prizemoney . . . The lack of prizemoney is one of the key elements which govern the value of young stock, and the breeding industry has got to adjust its costs according to the way things are, not the way it would like things to be."

Here is a conundrum. The top price at the Highflyer sale was the 840,000 gns paid by a Japanese owner, Masaki Kobayashi, for a yearling (unraced) filly by the smashingly successful stallion, Sadler's Wells, whose 22 Highflyer offspring fetched a total of 5,184,000 gns – an average of 235,636 gns.

The top-priced filly is described by Newmarket trainer Clive Brittain, who will handle her career, as a beauty. "You just have to fall in love with her," he says. Here is the question: was she really worth 840,000 gns? Answers on a postcard. If any are wise or witty, I may award a prize. If not, not.

THE COUCH POTATO'S GUIDE TO WHO SHOWS WHAT

BBC1	ITV	CHANNEL 4	SKY	EUROSPORT	SCREENSPORT	BSB
Soccer:	**Soccer:**	**American Football:**	**Soccer:**	**Soccer:**	**Soccer:**	**Soccer:**
FA Cup, English	Football league	NFL live	Zenith Data Systems	Euro Champs	Spanish leagues	FA Cup, English
& Scottish Ints	Rumbelows Cup	**Cycling:** Tour de	& Leyland Daf Cups	Euro club comps	games of Real	& Scottish Ints
Scottish club	Aston Villa, Man	France	**Cricket:**	**Golf:** European PGA	Madrid & Barcelona	Scottish club
competitions	Utd in Europe	**Racing**	Refuge Assurance	**Tennis:**	Argentinian league	competitions
Rugby:	**Rugby:**	**Australian Rules**	Sunday League,	French Open	**Tennis:** Men's tour	Italian league
Five Nations	World Cup		Ashes in Australia	Australian Open	**Golf:** US Open, US	**Rugby League**
English, Welsh and	**Athletics:** All UK		**Boxing:**	Women's tour	PGA, US PGA tour	Australian tour
Scottish leagues	meetings		Tyson v Stewart	**Boxing**	Players' Champnshp	**Golf:**
RL Internationals	**Racing**			Foreman v Anderson	**Motor Sports:** US	US Open, US PGA,
Tennis: Wimbledon	**Boxing**			**Basketball:**	Nascar & Cart races	US Masters
Golf: The Open				NBA playoffs,	**Rugby:** World Cup	**Tennis:**
Racing: Grand Nat'l				European club	**Ice Hockey:** NHL	US, Australian Opens
Motor Sports: F1				competitions	**American football:**	ATP Men's tour
Rowing: Boat Race				**Motor sports:** F1	Notre Dame & Miami	**Boxing:**
Cricket: Tests in				**Athletics**	College games	Douglas v Holyfield
England				**Australian Rules**	**Baseball:**	**Motorsports:**
Skiing				**Cycling**	World series	Motorcycling GPs,
				Skiing	**Boxing**	Isle of Man TTs
						American F'ball: NFL

Wall-to-wall junk sport

PITY the poor couch potato with an eye for sport. Life has become much more confusing in the last two years. For British viewers, Sunday afternoons used to be simple. During the soccer season there were highlights of one of the previous day's league matches and that was about it. Now fans are spoilt for choice.

On a typical Sunday afternoon – last *Sunday at 4pm, say – a London viewer* could still have watched recorded local soccer. But he could also have seen a live Italian football league game, two live transmissions of the big Paris race meeting, the European golf tour event in Stuttgart (live), and the Horse of the Year Show.

For the average British viewer, the four terrestrial channels – BBC1, BBC2, ITV and Channel 4 – are familiar. In addition, there are now two satellite systems. The one with most channels is Astra, which offers the Sky Channels; Eurosport, which *is half owned by Sky and half by a consor*tium of 15 members of the European Broadcasting Union, including the BBC, and Screensport. All can be picked up with one dish.

Sky also carries sport on its pay-TV film channel and on the general entertainment Sky One. The second system carries British Satellite Broadcasting's four stations, including its Sport Channel.

None of the dedicated sports channels broadcasts 24 hours every day – yet. But even 17 hours of non-stop sport must seem like a cornucopia to fans. At present, the satellite stations cannot match the resources of their terrestrial rivals.

Further, there are only so many top sports events to broadcast, and most of these are sold on increasingly expensive exclusive contracts. The mixed terrestrial channels and Sky can tailor *their* coverage to fit events, but the specialist sports channels still have to fill their schedules on a wet Tuesday in October.

They do it by judicious use of repeats and "minority" sports, a habit perhaps encouraged by the way they are frequently outmuscled *financially* by the terrestrials. Battles for the rights to Wimbledon and rugby's World Cup were ultimately straight fights between ITV and the BBC.

The satellite programmers dislike the word "repeats", they reshow programmes in different "dayparts" to meet all their *viewers' needs. They also insist* that tenpin bowling, polo, US wrestling, "aerobatics," parachuting, fencing, rhythmic gymnastics and a dozen types of daft motor sports with which they padded schedules this week are part of the process of offering minority sports to viewers. But a lot of this rubbish, undated and not fitted into any context, is cheap, generic junk sport designed to fill the airwaves and keep the addict passively viewing.

The competition for something decent is ferocious, especially in soccer and, to a slightly lesser extent, boxing, athletics and tennis. ITV's flagship is the English Football League, which it won in a bidding war with BSB and the BBC in 1988.

Recently, Sky TV bought the rights to a package of English soccer leftovers, including 12 live games from the Zenith *Data Systems Cup* – which is *boycotted* by the top five clubs – in a deal worth £4.5m according to *The Times*, one of Sky's sisters in the Murdoch empire. That is a lot of money for not much mediocre soccer.

The sports channels offer few top UK sports events, *except the occasional* boxing bout, that the terrestrials do not have. But fans of motor sports or boxing or American sports, the type of prospective viewer who buys dishes just for *their* sport, will increasingly find them spread across the channels in exclusive deals.

Rather than buy two dishes, the neater and cheaper option is to get cable, which carries all the main satellite channels, if it is available. Discerning fans may find the prospect of three non-stop sports channels worrying – but be reassured, most of it is junk you will not ever be tempted to watch.

Peter Berlin

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

7:20 am Poddington Peas. 7:25 Babar the Elephant. 8:00 Breakfast Serials. 8:35 Bravestarr. 9:00 Going Live! 12:12 pm Weather.

12:15 Grandstand featuring 12:20 Golf, (semi-final of the Dunhill Cup at St Andrews); 1:00 News; 1:05 Golf; 1:30 Snooker (Rothmans Grand Prix at Reading); 2:00 Racing from Ascot; 2:05 Snooker; 2:35 Racing from Ascot; 2:35 Snooker; 3:00 Racing from Ascot; 3:15 Racing from Phoenix Park (Cartier Million); 3:25 Golf; 3:50 Football; 4:00 Golf; 4:40 Final Score.

5:00 News. 5:10 Regional News and Sport. 5:15 Stay Tooned! 5:40 The Noel Edmonds Saturday Roadshow. 6:25 Every Second Counts. 7:00 Russ Abbott. 7:30 All Creatures Great and Small. 8:20 In Sickness and in Health. 8:50 News and Sport. 9:10 Film: "Where Eagles Dare" (Clint Eastwood and Richard Burton star). 11:40 Ben Elton: The Man from Auntie. 12:10 am Film: "The Desperados" starring Jack Palance. 1:40-1:45 am Weather.

BBC2

8:00 am Open University. 11:05 Woodhouse Roadshow. 11:40 Art of Travel. †11:55 The Honeymooners (starring Jackie Gleason and Art Carney). 12:15 pm Film: "Anna to the Infinite Power" starring Dina Merrill, Mark Patton and Martha Byrne. 1:55 Bertiners. 2:20 The 'Slap' Maxwell Story. 2:50 Mahabharat (in Hindi with English subtitles). †3:25 Film: "The Silver Cord" (Irene Dunne and Joel McCrea star). 4:35 Snooker: Rothmans Grand Prix.

5:45 Mexico Way. 6:10 Late Again. 6:55 Newsview. 7:00 The Ring of the Nibelung *(with Radio 3)* The ten-part screening of Wagner's operatic cycle in Nikolaus Lehnhoff's Bavarian State Opera production continues with Act 1 of 'The Valkyrie'. 8:50 Saturday Night Clive. 9:35 Moving Pictures. 10:25 Snooker: Rothmans Grand Prix at the Hexagon Theatre, Reading. †11:00-12:20 am Film: "Force of Evil" (John Garfield stars).

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth 3. 11:30 The ITV Chart Show. 12:30 pm Huckleberry Finn and His Friends. 1:00 ITN News followed by National Weather. 1:05 Local News and Weather. 1:10 Saint & Greavsie. 1:40 Sportsmasters. 2:10 Rags to Riches. †3:10 Saturday Matinee: "You Must Be Joking!" starring Terry-Thomas, Michael Callan, Leslie Phillips, Bernard Cribbins and Lionel Jeffries. 4:45 Results Service. 5:00 ITN News, followed by *national weather. 5:05 Local News and* weather. 5:15 Disney Cartoons. 5:25 The New Adventures of Black Beauty. 5:55 Catchphrase. 6:25 Blind Date. 7:25 Beadle's About. 7:55 Stay Lucky.

8:55 News and Sport followed by National Weather. 9:15 Local Weather. 9:20 The ITV Saturday Movie: "The Tall Guy" starring Jeff Goldblum, Emma Thompson and Rowan Atkinson. 11:05 Desperado.

CHANNEL 4

7:30 am International Times. 8:00 Transworld Sport. 9:00 News Summary. 9:05 Channel 4 Racing: The Morning Line. 9:25 Australian Rules Football. 10:30 Check Out. †11:00 "Out West with the Hardys" with Micky Rooney. 12:35 pm American Football Red 42. 1:10 "When You're in Love" with Cary Grant. 3:05 Channel 4 Racing from York and Phoenix Park. 5:10 Brookside Omnibus. 6:30 Right to Reply. 7:00 The World This Week. 8:00 Going Loco: O. Winston Link and the Norfolk and Western. 9:00 L. A. Law. 10:55 Film on Four: "Dog's Kingdom". 12:40 am Snoops. 1:35 The Story of Marc Bolan.

S4C WALES

As Channel 4 except:

10:30 am Go Fishing. 11:00 Check Out. 11:30 Gardeners' Guide II. 12:00 Sumo. 12:30 pm Up Is Down. 11:05 Feature Film: "They Met in Bombay" starring Clark Gable. 2:50 Fod. 6:30 Newyddion. 6:40 Sioc Yn Dynn. 7:10 Cyfle Byw. 8:10 Y Mess Chwarae. 9:15 Inspector Morse. 11:15 Feature Film: "Do Not Fold, Spindle or Mutilate".

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Here Come the Double Deckers. 2:10 The A-Team. 3:05 "Carry On Regardless" with Sidney James, Kenneth Connor, Fenella Fielding and Kenneth Williams.

BORDER

12:30 pm Supercross (The UK Open). 2:10 The Spectacular World of Guinness Records. 2:40 Rugby League Live: Warrington v Hull.

CENTRAL

12:30 pm Just Champion. 2:10 Coronation Street. 3:05 Ngaio Marsh Mysteries: "Colour Scheme" with George Baker. 11:05 "Somebody Killed Her Husband" with Farrah Fawcett-Majors and Jeff Bridges.

CHANNEL

12:30 pm Karting. 2:10 Hard Time on Planet Earth. 3:05 *"George and Mildred."*

GRAMPIAN

12:25 pm Le Durachd. 12:30 Haggis Agus . . . 2:10 Coronation Street. 3:05 "Carry on Teacher" with Kenneth Williams and Ted Ray. 4:45 Scotsport Results. 5:10 Crionnagan.

GRANADA

12:30 pm Here Come the Double Deckers. 2:10 The Spectacular World of Guinness Records. 2:40 Rugby League - Live: Warrington v Hull.

HTV

12:30 pm The World of Golf. 2:10 Coronation Street. 13:05 "Beyond This Place" starring Van Johnson, Vera Miles and Emlyn Williams. 11:05 The Return of Mickey Spillane's Mike Hammer starring Stacy Keach.

HTV WALES as HTV except:-

11:05 pm Rugby Round-Up. 12:05-1:00 am Matlock.

SCOTTISH

12:30 pm Huckleberry Finn and His Friends. 2:10 Coronation Street (omnibus edition.) 3:05 Saturday Cinema on Scottish: "Raising a Riot" stars Kenneth More and Shelagh Fraser. 4:45 Scotsport Results. 11:05 The Making of Destination Docklands. 11:50 The Concert featuring Cutting Crew.

TSW

12:30 pm The South West Week. 2:10 Coronation Street (omnibus edition). 3:05 "Bandits of *the Rio Grande" starring Herald Leinritz and* Maria Perschy. 5:10 Gus Honeybun's Magic Birthdays.

TVS

12:30 pm Karting (The Gulf Oil Superprix). 2:10 Hard Time on Planet Earth. 3:05 Film of the Series: "George and Mildred" starring Yootha Joyce and Brian Murphy.

TYNE TEES

12:30 pm Here Come the Double Deckers. 2:10 The A-Team. 12:10 "Kill Me Tomorrow" starring Pat O'Brien, George Coulouris and Lois Maxwell.

ULSTER

2:10 pm The A Team. 3:10 "Faces in the Dark" starring John Gregson.

YORKSHIRE

12:30 pm The World of Golf. 2:10 Coronation Street. 3:05 "George and Mildred" starring Yootha Joyce.

BBC RADIO 2

(S) Stereo on FM

6:05 am Ronnie Hilton with Sounds of the 50s. 8:00 Brian Matthew with Sounds of the 60s. 10:00 Anne Robinson. 12:05 pm Gerald Harper. 1:30 The News Huddlines. 2:00 Robin Ray on Record. 3:00 Mike Hurst with music and guests. 4:45 John Mann at the Christy Organ, at the Cannon Cinema, Walthamstow. 5:00 Cinema 2. 5:30 Junkin's Jokers. 6:00 *Country Greats in Concert. 7:00 Beat* the Record. 7:30 Gala Concert. 8:30 Nigel Brooks' Orchestra World. 9:30 Easy Does It with the BBC Big Band. 10:05 The Radio 2 Arts Programme with Sheridan Morley. 12:05 am Cinema 2. 12:30 Pop Score. 1:00-4:00 Night Ride.

BBC RADIO 3

7:00 am Morning Concert. 8:00 News. 8:05 Ulster Orchestra: Michael Haydn (Symphony in G), Weber arr Mahler (Intermezzo from 'Die drei Pintos'), Schumann (Symphony No 4). 9:30 Saturday Review. 12:35 pm Words, with philosopher Anthony Grayling. 1:00 News. 1:05 Budapest Wind Ensemble. Krommer (Partita in F Op 57), Leo Weiner arr Berkes (2 Hungarian Dances), Mozart (Serenade in E flat, K 375). 2:05 BBC Symphony Orchestra at 60.

4:00 Tuning Up. Chris de Souza talks to cellist Timothy Hugh, who, with Kathron Sturrock (piano), plays sonatas by Debussy and Schnittke, Messiaen's 'Louange à l'éternité de Jésus' and Popper's 'Elfentanz'. 5:00 Jazz Record Requests. 5:45 Third Opinion. 6:30 Schumann. Malcolm Binns (piano) plays Sonata No 2, Presto passionato and Nachtstücke. *7:15 The Appian Way.* Bayreuth and stage designer Adolphe Appia. 7:40 The Ring of the Nibelung *(with BBC2)*: Act 1 of 'Die Walküre'. 8:55 Taconic Parkway (short story).

9:10 Richard Davis and Keith Swallow (flute and piano): Gaubert (Nocturne and Allegro scherzando), Fukushima (Mei), Cesar Cui (Impromptu; Tenebres et lueurs), Prokofiev (Sonata No 2). 10:00 Issues. Robert Hewison on Glasgow's year as European City of Culture. 10:25 "Maddalena," Prokofiev's one-act opera, Russian recording conducted by Gennady Rozhdestvensky. 11:20 Trio Sonnerie: Couperin (Neuvième Concert), Walter (Sonata No 10), Marais (Sonnerie de Sainte-Geneviève du Mont de Paris). 12:00-12:05 News.

BBC RADIO 4

7:00 am Today. 9:00 News; 9:05 Sport on 4. 9:30 Breakaway. 10:00 News; Loose Ends: Ned Sherrin and guests (s). 11:00 News; Conference Special. 11:30 From Our Own Correspondent. 12:00 Money Box. 12:25 pm The News Quiz (s). 12:55 Weather.

1:00 News. 1:10 Any Questions? 1:55 Shipping Forecast. 2:00 News; Any Answers? 2:30 Saturday Playhouse (s). 4:00 News; Looking Eastwards to the Sea (s). 4:30 Science Now. 5:00 Largely Walters. 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News; Sports Round-up.

6:25 Citizens. Omnibus Edition (s). 7:10 Stop the Week (s). 7:45 Classic Serial: The Forsyte Chronicles (s). 8:45 Tough Cookies. 9:10 Music in Mind (s). 9:50 Ten to Ten (s). 9:59 Weather.

10:00 News. 10:15 The Engine of Ellenroad. 10:45 Writers on Blue Paper. 11:00 Richard Baker Compares Notes with Dr Frances Palmer, keeper of musical instruments at the Horniman Museum (s). 11:30 The Sit Crow (s). 12:00-12:30 am News.

BBC RADIO 5

8:30 am Morning Edition. 9:02 On Your Marks. 12:00 Sport on 4 Plus 1. 12:30 pm Sports Call. 1:30 Sport on 5: Football; Racing from Ascot; Golf, Courage League Rugby. 6:00 Sports Report. 8:00 As Radio 4. 10:00 Sport. 10:10 As Radio 4. 11:00 Sport. 11:10 World Service. 12:05-12:10 am Sport.

SUNDAY

†Indicates programme in black and white

BBC1

8:15 am Inigo. 9:30 This is the Day. 10:00 A Vous La France! 10:25 España Viva. 10:50 You and 92. 11:25 Business Matters. 11:50 Help Your Child with Maths. 12:05 pm See Hear! 12:30 Country File.

1:00 News; On the Record: Education Secretary John MacGregor and the future of Britain's education system. 2:00 EastEnders. 3:00 Film: "Force 10 From Navarone" starring Harrison Ford, Edward Fox, Robert Shaw and Barbara Bach. 5:00 The Clothes Show. 5:30 Hearts of Gold. 6:15 Sum Chance. 6:25 News. 6:40 Songs of Praise. 7:15 Last of the Summer Wine. 7:45 Howards' Way. 8:35 Bread. 9:05 News.

9:20 Screen One Film: "Sticky Wickets." *10:35 Heart of the Matter. 11:10 The Days and* Nights of Molly Dodd. 11:35 Into Print. 12:05 am Mahabharat. *(In Hindi with subtitles.)* 12:45-12:50 am Weather.

BBC2

7:30 am Children's BBC Two. 7:35 Playdays. 7:55 Is That a Fact? 8:10 Pinocchio. 8:20 Animal Album. 8:45 Litt'l Bits. 9:10 Corners. 9:30 Dungeons and Dragons. 9:55 Blue Peter Omnibus. 10:40 Uncle Jack . . . and Operation Green. 11:10 Boxpops. 11:50 The O-Zone. 12:00 One in Four. 12:30 pm Golf and Snooker: Final of the Dunhill Cup and the Rothmans Grand Prix. 4:30 Richard Crossman. 5:00 Rugby Special. 6:00 Juke Box Jury.

6:35 The Money Programme. 7:15 The Trials of Life. 8:05 Born Talking. 8:50 Rhythms of the World Special. 10:10 Snooker †10:35 "The Elephant Man" with John Hurt stars. 12:35-1:20 am Golf. Repeat of the Dunhill Cup final.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: The Disney Club. 10:45 Link. *11:00 Morning Worship.* 12:00 The Human Factor. 12:30 pm The Care Bears. 12:55 Local News and Weather. 1:00 ITN News, followed by National Weather. 1:10 Walden. 2:00 "The Life and Times of Grizzly Adams" starring *Dan Haggerty. 3:45 Cartoon Time. 4:00 Cliff* - From A Distance. 5:00 Sunday Sunday. 6:00 All Clued Up. 6:30 ITN News, followed by National Weather. 6:35 Local News and Weather. 6:40 Highway. 7:15 Close to Home.

7:45 The Ruth Rendell Mysteries. 8:45 ITN News followed by National Weather. 9:00 Local Weather. 9:05 London's Burning. 10:05 Hale and Pace. 10:35 The South Bank Show. 11:35 Comics, the Ninth Art. 12:10 am The ITV Chart Show.

CHANNEL 4

7:30 am Once Upon a Time...Life. 8:00 Dennis. 8:30 Bobobobs. 9:00 Early Bird. 9:25 Setters' Tales. 9:30 The Playful Muse. 10:00 Dangerous Lives. 10:45 Dennis. 11:00 Owl TV. 11:30 Grim Tales. 11:45 The Astrology Show. *12:00 The Waltons. 1:00 pm Small is Beauti*ful. 1:30 Australian Rules Football. 3:05 Hollywood Boulevard. 14:05 "You Never Can Tell" starring Dick Powell. 5:30 News Summary and Weather followed by Road to Avonlea. 6:30 The Cosby Show. 7:00 *Equinox: Junk* Mail. 8:00 American Football. 9:30 The Media Show. 10:15 Hollywood Mavericks: "The Conversation" with Frederic Forrest, Harrison Ford and Robert Duvall. 12:25 am Tribute to Paradjanov: "The Colour of Pomegranates" (Sayat Nova) (with English subtitles).

S4C WALES

As Channel 4 except:-

10:45 am Land of the Giants. 12:55 pm Acen. 2:00 Equinox. 3:00 Australian Rules football. 5:20 The Figurehead.

6:35 Sportraits. 7:00 Mon Dieu Que Va Dire Mariel. 7:55 Newyddion. 7:10 Gwymryn. 8:00 Hel Straeon. 8:30 Dechrau Canu, Dechrau Canmol. 9:00 *Gwynfor. 9:45 Snooker Grand* Prix Rothmans. 10:55 American Football. 11:55 The Media Show.

IBA Regions as London except at the following times:

ANGLIA

12:30 pm Farming Diary. 2:00 Adventure with Anneka. 3:05 "Running Out" (Deborah Raffin stars). 5:00 Bullseye. 5:30 Cliff - From a Distance. 11:35 Prisoner: Cell Block H.

BORDER

12:30 pm Here Come the Double Deckers. 2:00 Film: "Devil's Bait" starring Gordon Jackson and Geoffrey Keen. 3:05 Coronation Street. 5:00 Scotsport. 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

CENTRAL

12:30 pm Gardening Time. 2:00 Beyond 2000. 2:25 The Life and Times of Grizzly Adams. 3:00 "Carry on Nurse" featuring Kenneth Connor and Kenneth Williams. 5:00 Bullseye. 5:30 Cliff - From a Distance. 11:35 Prisoner: Cell Block H.

CHANNEL

12:30 pm Reflections. 12:35 Les Français Chez-Vous. 12:45 Tele-Jornal. 12:50 Cyril Fletcher's TV Garden. 2:05 Highway to Heaven. 2:55 "A Nightingale Sang in Berkeley Square." 5:00 Cliff "From a Distance." 6:05 Bullseye. 11:35 The Human Factor. 12:05 am The New Avengers.

GRAMPIAN

10:45 am The Fantastic Four. 11:15 Let's Rejoice. 11:45 Link. 12:30 pm Elton. 2:00 Triumph of the Nomads - Part Two. 3:00 The World of Golf. 3:30 Bullseye. 5:00 Scotsport. 6:00 Scotland's War. 11:35 Prisoner: Cell Block H. 12:30 am Quiz Night.

GRANADA

12:30 pm Granada This Week. 2:00 Richmond Hill. 2:55 "The Million Pound Note." 4:35 Cliff - From a Distance. 5:35 Coronation Street. 11:35 Prisoner: Cell Block H. 12:30 Quiz Night.

HTV

12:30 pm The Spectacular World of Guinness Records. 2:00 Clive's Walks followed by Weather for Farmers. 2:30 HTV Newsweek. 2:55 Transplant: The Chronicle of Kelly *Knight. 3:25 HTV West Soccer Special.* 4:30 Cliff - From a Distance. 5:30 Who's the Boss? 6:00 Bullseye. 11:35 Prisoner: Cell Block H.

HTV WALES as HTV except:-

12:30-12:55 pm Survival. 2:00 Farming Wales, Weather for Farmers. 2:30 Spectacular World of Guinness Records. 12:55-4:30 "Carry on Nurse", Kenneth Williams, Hattie Jacques.

SCOTTISH

10:45 am Glen Michael's Cartoon Cavalcade. 11:15 Link. 11:30 Sunday Service. 12:30 pm The Gods of War. 2:00 Scottish Supplement. 2:30 Spectacular World of Guinness Records. 3:00 Cliff Richard - From a Distance. 4:00 Baywatch. 5:00 Scotsport. 6:00 Scotland's War. 11:35 Scottish Books. 12:05 am Elton.

TSW

12:30 pm Farming News. 2:00 Out of Limits. 2:15 Jim Henson Presents Mother Goose Stories followed by Gus Honeybun's Magic Birthdays. 2:30 The A-Team. 3:25 The Sunday Matinee: "Nearest and Dearest" starring Hylda Baker and Jimmy Jewel. 5:00 Cliff - From a Distance. 6:00 Bullseye. 11:35 Murphy's Law.

TVS

12:30 pm TVS News. 12:33 Here Come the Double Deckers. 12:58 TVS Weather and Farming Weather. 2:00 Highway to Heaven. 2:55 "The Nightingale Sang in Berkeley Square" starring Richard Jordan and David *Niven. 5:00 Cliff - From a Distance. 6:00* Bullseye. 11:35 The Human Factor. 12:05 am The New Avengers.

TYNE TEES

12:25 pm Country Matters. 2:00 Point of Order. 2:30 The Back Page. 3:00 Highway To *Heaven. 4:00 All Clued Up. 4:35 Cliff - From a* Distance. 5:35 Coronation Street (omnibus edition). 11:35 The Silk Road.

ULSTER

12:30 pm Gardening Time. 2:00 Farming Ulster. 2:30 *Marque of a Legend.* 3:30 International Motorcycling 4:35 Cliff - From a Distance. 5:35 Coronation Street. 11:35 Prisoner: Cell Block H. 12:30 am Quiz Night.

YORKSHIRE

12:25 pm Goals on Sunday. 2:00 The Life and Times of Grizzly Adams. 2:55 Spectacular World of Guinness Records. 3:25 "The Son of Robin Hood" *5:00 Cliff - From a Distance.* 6:00 Bullseye. 11:35 Scrumdown.

BBC RADIO 2

(S) Stereo on FM

7:30 am Don Maclean says 'Good Morning Sunday' with Cliff Richard on his 50th birthday. 9:05 Richard Baker with 'Melodies for You'. 11:00 Desmond Carrington with 'Radio 2 All-Time Greats'. 2:00 pm Benny Green. 3:00 Sounds Easy. 4:00 The Radio Orchestra Salutes. 4:30 Sing Something Simple. 5:00 *Charlie Chester.* 7:00 Things We Did Last Summer, with the Nigel Brooks Singers and Band. 8:00 I Salonisti. 8:30 Sunday Half-Hour. 9:00 'Your Hundred Best Tunes'. 10:05 Radio 2 Arts Programme. 12:05 am Robin Ray on *Record. 1:00-4:00 Night Ride.*

BBC RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 Handel's Chandos Anthems. Concerto grosso in G minor Op 6 No 6 and Chandos Anthem No 2: 'Have Mercy upon Me.' 9:15 A Time of Gifts. Jacqueline du Pre plays Brahms' Cello Sonata No 2 Op 99, with Ernest Lush, and Beethoven's Piano Trio in E flat Op 70 No 2, with Barenboim and Zukerman. 10:15 Music Weekly. 11:00 Decade by Decade: 19th-century music. 1820-1830. 12:00 pm Table Talk. Leslie Forbes presents an irreverent series about food.

1:00 News. 1:05 Your Concert Choice. 2:30 King's Lynn Festival 1990. Peter Donohoe (piano): Casella (Toccata), Busoni (All'Italia; Sonatina No 6), Liszt (Venezia e Napoli), Chopin (Ballade No 4; 3 Waltzes Op 64; Sonata No 3). 4:05 Invisible Cities by Christopher Samson, played by the BBC Philharmonic Orchestra, with Hakan Hardenberger (trumpet) and Christian Lindberg (trombone). 5:00 Soundings. Michael Oliver explores Elgar's 'Introduction and Allegro' for strings and its place in the composer's oeuvre. 6:00 Choral Evensong.

7:00 Mozart. String Quartet in E flat, K 428, played by the Audubon Quartet. 7:35 Sunday Play: 'Blending In.' 8:45 Invitation Concert. *BBC Symphony Orchestra:* Lukas Foss (Quintets), Michael Gandolfi (Points of Departure), Simon Holt (Syrensong).

9:35 Lufthansa Festival of Baroque Music. Vivaldi's two-part oratorio 'Juditha Triumphans' in a performance with the St James Players and Singers and a cast including Diana Montague (mezzo) in the title role. (10:40-10:45 Interval Reading.) 12:00-12:05 am News.

BBC RADIO 4

7:00 am News. 7:10 Sunday Papers. 7:15 On Your Farm. 7:40 Sunday, including 7:55 Weather. 8:00 News. 8:10 Sunday Papers. 8:50 Appeal by Charlie Chester on behalf of the Royal British Legion, and the need for Poppy Appeal collectors. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter from America by Alistair Cooke. 9:30 Morning Service (s). 10:15 The Archers. 11:15 News Stand. Nigella Lawson reviews the periodicals. 11:30 Pick of the Week (s) with Margaret Howard. 12:15 pm Desert Island Discs (s). 12:55 Weather. 1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 Sunday Playhouse (s). 4:00 News; Analysis. 4:47 Time for Verse. 5:00 News; Down Your Way. 5:40 That's What I Like About The North. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News. 6:15 Feedback: Chris Dunkley airs listeners' complaints about BBC programmes and policy. 6:30 Opinion. 7:00 In Business. 7:30 Bookshelf. 8:00 Anthony Lawrence's Hong Kong. 8:30 Last Chance To See (s). 9:00 Natural Treasure Islands. 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 A Hymn to Tiger Bay. 11:00 Where Music Sounds (s). 11:30 Seeds of Faith (s). 12:00-12:30 am News.

BBC RADIO 5

6:00 am World Service. 7:30 Sunday Edition. 8:02 This Family Business. 10:30 Education Matters. 11:00 Sport. 11:02 Soundwaves. 11:30 Talking Poetry on the theme of trains. 12:00 Sport. 12:05 pm Desert Island Discs (as Radio 4). 1:00 Sport. 1:05 A Vous La France. 1:30 España Viva.

2:00 Sunday Sport Extra, featuring Golf: Dunhill Cup final and Rugby League: Wigan v the Australian tourists. 6:00 Sports Round-up. 6:10 Open University: Open Forum. 6:30 As Radio 4. 7:30 Anne Nightingale's Request Show (as Radio 1). 9:00 Nightbeat. 9:30 Across the Line. 11:00 World Service. 12:05-12:10 am Sport.